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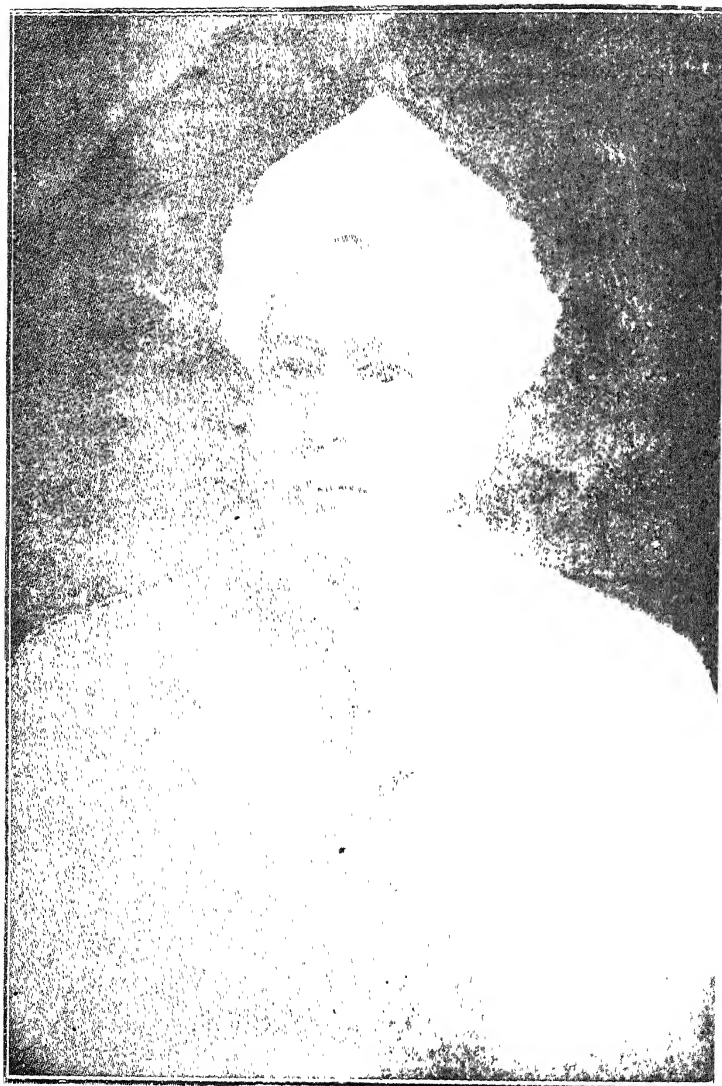
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## Editorial Notes.

### Congratulations.

We offer our warmest congratulations to Sir Mocherla Ramachandra Rao on the signal honour of a Knighthood having been conferred on him on the occasion of His Majesty's Birthday, in appreciation of the services rendered by him to the cause of co-operation as President of our Central Land Mortgage Bank. If land mortgage banks have taken firm root in our province and if our province is far ahead of other provinces in respect of land mortgage banks, it is largely due to the devoted labours of Sir M. Ramachandra Rao and the wise policy followed by the Central Land Mortgage Bank under his guidance. The greatest achievement of land mortgage credit in our province is the Government guarantee secured for the interest and principal of the debentures of the Central Land Mortgage Bank. The Government gave that guarantee because they appreciated the sound lines on which the business of the Bank was conducted. Sir Mocherla has to his credit more than thirty five years of public service. His work in the local legislative council in pre-diarchy days was of the highest quality. He has crowned his long public life with the building up of land mortgage credit. May he long serve the cause and enjoy the well deserved honour.

Among other co-operators of our province who were the recipients of birthday honours are Rao Saheb Umamaheswaram Pillai of the Tanjore Bar and Rao Saheb C. S. Srinivasachari, Professor of History in Annamalai University. The former has long been closely connected with the Hood Institute and the latter until recently with the Triplicane Stores. Outside our province Mr. C. M. Gandhi, President of the Surat Central Bank and an old and well-known co-operator, has been made a Diwan Bahadur. Our heartiest congratulations to them.

### Rural Women Workers.

The Punjab and the United Provinces contain better-living societies of women, for organising which lady supervisors and propagandists are employed. From time to time training classes are held for these organisers and at present one is going on at Lucknow. The theoretical course is one of six months but it may extend to one or two months more. After that there will be a practical course of two months given in the societies. As these lady supervisors are intended to work for rural reconstruction through co-operative societies, they are given instruction in the elements of several subjects specially useful for women, in addition to co-operation. Those subjects are : domestic economy, domestic hygiene, child welfare and home nursing, food values, first aid, treatment of common ailments, elementary midwifery, cooking, laundry, tailoring and knitting, home gardening, music (vocal and instrumental), elementary principles of co-operation and adult education. This is a formidable list, and we do not know if any lady of average ability, 'of vernacular upper or lower middle' standard of general education, can be expected to learn enough of these subjects in about eight months to teach them to rural women or even to awaken an interest in them in these subjects. During the period of training each candidate is given a stipend of Rs. 12 and free quarters and light. After training these candidates will be employed by the United Provinces Co-operative Union and will be paid Rs. 44 a month, 'including salary, allowance, porter allowance and contingencies.' So says a press note issued by the Director of Publicity with the Government of the United Provinces.

In South India no special staff has so far been employed by any State or province to promote co-operation among women nor a

course of training thought of for women co-operators. The Travancore Committee on Co-operation which recently reported has, however, recommended that 'women inspectors and propagandists who are duly trained in co-operative work ought to be sent to rural areas to conduct propaganda and organise societies for the promotion of thrift, cottage industries, milk-supply, coir-making or twisting, husking paddy etc.' We hope this recommendation will be accepted by the Travancore Government, especially as the State is so advanced in education that qualified women workers can be had for about the same remuneration as men workers. The idea is also worth being taken up by our province both by the Department and the non-official organisations. In particular it may be tried by those rural reconstruction centres which financially are in a position to do so.

## A Christian Insurance Society?

In a recent issue of the *Guardian* Mr. Satyanatham Williams of Masulipatam has advocated the organisation of a co-operative insurance society for Christians on the lines of the South India Co-operative Insurance Society. He has pointed out the advantages offered by co-operative insurance over joint-stock insurance and has also quoted the objects of the South India Insurance Society. Compared with western countries and Japan, insurance is so little prevalent in India that we are bound to welcome all efforts which will carry the benefits of insurance to new groups of people and to new areas. The only thing to be avoided is the offer of such inducements in a competitive spirit as will make the working of the institutions and schemes impossible. But one or two grounds adduced by Mr. Williams call for comment. He says, "The population of South India runs to several figures, whereas the Christian community is not appreciable, and hence the larger communities may assert their superiority in a joint organisation at the expense of the minorities. This will nullify the purpose itself."

We fail to understand how. The benefit which a policy-holder is to receive from the society will be a matter of contract between him and the society, which is not affected by his belonging to a majority or minority community. There is also the close connection of the Registrar with a co-operative society to prevent any communal injustices. If the question of community is not raised in doing business with joint-stock insurance companies, whether foreign or Indian, why should it be raised in connection with a co-operative organisation? From a business point of view the wider

the area and the more varied the occupations of policy-holders, the better for an insurance institution. Therefore it would not be advisable to start a co-operative insurance society the business of which would be confined to a small community. The worst feature of communal feeling is the suspicion that it breeds against other communities. Where this suspicion does not exist, and where community is thought of because it facilitates business, as in some forms of credit, communal societies may not be objectionable. Of better-living and housing societies it may be said that it is better to organise them on communal lines because the social element enters largely into their composition. But in other forms of co-operation, the less we think of our small communities, the better. We cannot be preaching world brotherhood and "each for all and all for each," and at the same time confining our economic life in small communal circles.

Another argument advanced by Mr. Williams is that Missionary benefactions are contracting and therefore the Christian community should fortify its position, 'wake up and grasp early the resources offered' by the Government." We should like the Christian community, and in fact every other community, to do it irrespective of the Missionary position. Supposing the Missionary position was quite satisfactory, would insurance among Christians have then become unnecessary? Mr. Williams hopes that if a Christian co-operative insurance society is started it will invest its funds in agricultural, building, colonisation and industrial schemes which will benefit the Christian community, and also help schools and hospitals from its profits. A co-operative insurance society will have to be no less but possibly more careful than joint insurance companies in the matter of its investments. It will be a folly to allow communal considerations to influence its investments. As to schools, hospitals etc., it is well to remember that only the common good fund could be made available for them, and all the rest of the 'profit' of the society will have to go to the policy-holders only. If any Christian promoters think that on business grounds they are in a position to start and work an insurance company or co-operative society, let them do so by all means. But let it be not communal in scope or aims.

### **The Salem Urban Co-operative Bank.**

The Salem Urban Co-operative Bank celebrated recently its silver jubilee, though it fell due some three years ago as the society

## EDITORIAL NOTES

was started in 1906. In connection with that function the Hon. Mr. P. T. Rajan, Development Minister, laid the foundation stone of the new building which the society has decided to construct for its use, and Mr. C. Rajagopalachariar unveiled the portraits of Rao Saheb D. P. Chinna Krishna Chettiar, President, and Mr. N. V. Krishniah Chettiar, Secretary, who between them have made the society what it is. It is one of the biggest urban societies in the province, having a membership of more than 1,600 and a working capital of more than Rs. 10 lakhs. Until the District Co-operative Bank was started in January 1909, it also financed the rural societies of the district. One of the most noteworthy achievements of the society is that during all these years it has had to write off as bad debts only a total sum of Rs. 300. Out of its common good fund it has founded an industrial school and is conducting it jointly with the Salem Municipality. Mr. T. Adinarayana Chettiar who delivered a thoughtful commemoration address on the occasion, from which extracts are given elsewhere, rightly pointed out that it was high time that the society had a paid secretary, instead of an honorary one as hitherto. We hope this advice will soon be acted upon by the general body. We wish the society continued usefulness and prosperity.

### Two Mysore Rules.

The Government of Mysore have promulgated a rule under the Co-operative Societies Regulation, laying down that the honorarium or bonus payable to the secretary of a co-operative society shall not exceed  $12\frac{1}{2}$  per cent of its profits after the contribution to the reserve fund is made or Rs. 250, whichever is less. Where, however, the entire profit of a society does not exceed Rs. 250, its general body may sanction, with the approval of the Registrar, a remuneration not exceeding Rs. 25, even though it may exceed  $12\frac{1}{2}$  per cent of the profit. The innovation made by this rule is that it fixes the maximum of the honorarium or bonus at Rs. 250. We welcome the introduction of this principle. In the absence of a maximum, the honorarium payable to the secretary becomes in big societies a very considerable sum and influences elections in a very unhealthy manner. It is true that in some societies the secretary, though honorary, gives a good deal of his time to the society and deserves more remuneration than the maximum fixed above, and the society is in a position to give it. But in such cases the better policy would be to have paid secretaries or to provide for paid assistance so that



the work thrown on the honorary secretary will not be unreasonably heavy. The maximum fixed by the Mysore Government may prove too low in the case of some big urban banks and stores, and a higher maximum may be permitted where the working capital or the turn-over exceeds a certain amount. But the principle adopted is a sound one.

Another rule promulgated by the Mysore Government at the same time lays down that a person who has been honorary secretary of a society continuously for three years at the time of an election, shall not be re-elected its honorary secretary, whatever the bye-laws of that society may have provided, without the written permission of the Registrar or the Assistant Registrar. We should think this an unnecessary and even harmful provision. Under it, it will not be enough that an honorary secretary serves his society well, but he should also take care to propitiate the Registrar and more often the Assistant Registrar. We do not know to what extent the evil which this rule is intended to remedy prevails. But after the promulgation of the other rule which limits the honorarium, the need for this rule, if any existed at all, should be little. This rule is an irritating inroad upon the rights of the general body of a society and as a remedy will prove more harmful than the disease.

### **“Co-operative Reconstruction Society.”**

The (North) Kanara District Institute, in an address which it recently presented to the Hon. Mr. Kambli, Minister in charge of co-operation and agriculture, Bombay, on his visit to Kumta, informed him that the Institute was organising training classes for secretaries and committee members, that most of the secretaries of rural societies in the district had gone through its training course and passed the test, and that its magic lantern section was so well equipped that any propagandist institute might envy. It went on further to say :

“The Institute has been devoting special attention to village uplift, and has taken up Kallabbe, an interior village in the Kumta Taluk as an experiment since the last five years. The goal before us is the creation of a model village on the principle of “Better production, better business and better living.” Improvement of communications by the construction of a road  $2\frac{1}{4}$  miles in length, feeder foot-paths, repairs to tanks and nalas to improve water-supply for irrigation, protection of

## EDITORIAL NOTES

crops from cattle and wild animals by erecting walls round the hamlets and *by the appointment of shikari*, improvement in agriculture, co-operative sale and purchase, reduction of expenses on ceremonials, settlement of disputes by arbitration, consolidation of holdings and sanitation are some of the directions in which the work has been done and is in progress. All this has been achieved without any outside help. We are maintaining the history sheets of 50 families in the villages to study their economic conditions at close quarters. Programme of work for individual families has been prepared. After working for nearly four years, the scheme has now been registered as a Co-operative Society under the name of the Co-operative Reconstruction Society, and we are proud to say that this is the first of its kind in the Presidency."

The programme of the Society described above is very interesting. The appointment of a *shikari* and the erection of walls around the hamlet for protection against wild animals show how peculiar local needs sometimes are. The work and spirit of the Institute deserve high praise, and should be emulated by co-operators of other districts. The Institute appealed to the Minister for financial aid, as it has had to hold in abeyance the post of its propagandist officer on account of the fall in the profits of societies due to the depression. We trust that the help asked for by this very deserving institution will be readily granted by the Government of Bombay.

### The Late Messrs. Venkatachariar and Srinivasa Rao.

It is our sad duty to record this month the passing away of two veteran co-operators, Rao Bahadur M. K. Venkatachariar and Rao Saheb T. Srinivasa Rao, who, after rendering distinguished service to the cause of co-operation through the Department in Madras, joined the ranks of non-official co-operators and continued to give of their best to the movement. Rao Bahadur Venkatachariar was born in 1871, graduated in 1885 and entered Government service as a clerk in 1890. He rose by successive steps to be Deputy Collector in 1911 and was lent to the Pudukottah Durbar from 1913 to 1917, when he reverted to British service as Assistant Registrar of Co-operative Societies. In that capacity he served in the Cuddalore and Madras-Chingleput sections, till he was appointed Joint Registrar in April 1926. In South Arcot he organised societies for the marketing of ground-nuts and for manufacture of bone manure. The title of Rao Saheb was conferred in him in June 1921 and of Rao

Bahadur in January 1925. After retiring from Government service in August 1926 he was elected President of the Chingleput District Co-operative Bank for two terms of three years each. He also took an active interest in the management in the co-operative society and co-operative union of Mukundagiri, his native village. He was a member of the Board of Management of the Provincial Co-operative Union from 1928 to 1930 and an Honorary member thereafter. He was a man of ideas and great enthusiasm.

Rao Saheb T. Srinivasa Rao was born in November 1868, joined the Revenue Department as a clerk in 1887 and rose to be a Deputy Collector in 1908. He joined the Co-operative Department in 1914 and worked in that capacity in the Vellore, Anantapur and Chittoor sections till he retired in November 1923. He was Vice-President of the Provincial Co-operative Bank from 1926 to 1932. He took a special interest in the rectification of societies and visited several districts with a view to instruct local co-operators in that work. He was Joint Secretary of the Madras Provincial Co-operative Union from 1926 to 1928 and in that capacity gave evidence before the Townsend Committee on Co-operation. The memorandum which he submitted to that Committee was an exhaustive and instructive document. The Provincial Co-operative Union has placed on record its appreciation of the valuable services of these departed servants of the public. We offer our condolences to the bereaved families.

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## Co-operation in Mysore

BY MR. V. VENKATASUBBAIYA, B.A.

The report of the Registrar of Co-operative Societies in Mysore for 1933-34 is of more than usual interest, as it contains, in addition to the record of progress made by the movement during the year, a review of what has been achieved since co-operative societies were first started in the State some 28 years ago, and as it is also illustrated by a series of clever charts. As elsewhere in India, the policy pursued by the Department during the year under report was one of consolidation rather than of expansion; and the societies, especially the agricultural credit societies, had to bear the full consequences of the prevailing depression.

Compared with the previous year the number of societies, membership and working capital stood as follows :

		1932-33.	1933-34.
Societies	...	2,180	2,088
Membership	...	1,44,481	1,46,557
Working Capital	...	Rs. 223'0 lakhs.	Rs. 217'6 lakhs.

The decrease in the number of societies was due to the registration of as many as 107 societies being cancelled and 3 societies being amalgamated with others, while on the other hand only 18 new societies were registered. The fall in the working capital, which is gross and includes duplications, was due chiefly to a contraction in loans from central banks and Government, and in deposits. The increase in membership is a pleasing feature of Mysore, as the trend in the country as a whole during the last four or five years has been for it to fall in proportion to the fall in the number of societies.

The number of members of primary societies in Mysore per 1,000 inhabitants during 1932-33 was 21'4, according to the *Statistical Statements Relating to the Co-operative Movement* published by the Government of India. The corresponding figures for certain British provinces and Indian States were :

Madras	...	19'2	Baroda	...	17'4
Bombay	...	26'5	Bhopal	...	24'7
Punjab	...	29'1	Travancore	...	44'6
Total British India	13'4		Total Indian States	16'9	

Mysore thus occupies a fairly good place, though not equal to the foremost either among the Indian States or the British provinces.

There are 16,483 villages in the State and in 1933-34 there were 1,629 agricultural societies. Therefore roughly there was one society for every 10 villages—and not one for 100 villages as is stated in line 3, para 15 of the report, an error which even the Government have repeated in their review of the report. (See line 10, para 3 of the Review.) Says the Registrar, "Each rural society extends its operations over about five villages on a rough average. On this computation the Movement may be said to have touched only about 8,145 out of the 16,483 villages in the State." In other words, nearly half the villages in the State have been reached by the co-operative movement. But this proportion does not agree with that shown in chart IV-A where the villages touched by the movement are shown to be about one-fourth of the total villages in the State. It is not for us to say whether the chart is correctly drawn or not, but it appears to us that the average area of operations of a society is not likely to be as large as five villages. Our object, however, is only to draw the Registrar's attention to this point.

#### CENTRAL SOCIETIES.

There were 14 central societies in the State, of which one was the Apex Bank, one the Land Mortgage Bank, one the Bangalore Central Bank, five district central banks and six banking Unions. The district banks and the banking unions have not justified their existence. Of the banking Unions the report says that their accounts were in various stages of adjustment, and that after the adjustments were finally effected their registration would be cancelled. The working of the district banks is reported to be unsatisfactory. Judged from their transactions, it would appear that the cancellation of their registration would mean no loss to the movement in the State. The Bangalore Central Co-operative Bank is an anomaly. It has ceased to issue loans to societies. Only 12 per cent of its outstandings are due from societies, and several of them are under liquidation. Its jurisdiction also overlaps the jurisdictions of other societies. The Department has long been attempting to bring it into line with current co-operative ideas. As the present report does not contain observations regarding this Bank similar to those found in the previous report, we guess the Department is now more hopeful of success than hitherto. As it has practically ceased to be a Central Bank, we think it would be better not to classify it as a Central Bank.

The Apex Bank, which had 975 society members, was really a Central Bank, and barring the Land Mortgage Bank, would appear to be the only real Central Bank in the State. Its lendings to societies fell from Rs. 1·75 lakhs in the previous year to Rs. 1·08 lakhs in 1933-34. This, however, is not a phenomenon peculiar to Mysore. The percentage of overdues increased slightly from 87·4 in 1932-33 to 88·5. It is surprising that the percentage of overdues should be higher in the Apex Bank than in the Agricultural Credit Societies (71·0 per cent), let alone the non-agricultural credit societies, the overdues of which were less than 32 per cent. The percentage of overdues in respect of loans given to individuals by the Bangalore Central Co-operative Bank was the same as in Primary Agricultural Credit Societies, *viz.*, 71 per cent; and that in the Land Mortgage Bank about 32 per cent. These percentages are much higher than the corresponding ones in the surrounding British provinces. The causes for their being so deserve to be investigated by the Department as well as by the non-official co-operators of the State.

#### AGRICULTURAL SOCIETIES.

The number of agricultural societies decreased during the year from 1723 to 1629. Of them 1534 were credit societies, 27 agricultural supply societies, 49 grain banks, and the rest sale societies and miscellaneous institutions. The 27 supply societies had 767 members, but sold goods of the total value of Rs. 2,037 only, compared to Rs. 9,809 in the previous year. Besides these, 153 credit societies supplied seeds, manures and implements of the value of Rs. 6,431. The majority of the grain banks were not working satisfactorily and steps were being taken to wind them up. The transactions of the sale societies were not considerable. One of the two cardamom societies in the State was trying to find a European market for the cardamoms grown by its members, through the Trade Commissioner for Mysore in London.

Of the 1,534 credit societies, 90 were of limited and 1,444 of unlimited liability. A comparison between their working is instructive. We have taken the figures from Statement B appended to the report.

		Limited.	Unlimited.
Number of societies	...	90	1,444
Number of members	...	9,969	58,977
Number of members per			
society	... ..	100	40

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	Rs	Rs.
Loans made to members		
during the year ...	4'22 lakhs	5'57
„ per member ...	42'3	9'8
Deposits held at the end of		
the year from members	1'03 lakhs	1'51 lakhs
„ per society ...	1,148	105
Reserve Fund ...	3'38 lakhs	7'55 lakhs
„ per society ...	3,751	522
Profit for the year ...	41,358	14,942
„ per society ...	460	16

It is thus clear that in every respect the societies with limited liability are working better than those with unlimited liability. Possibly societies in the bigger villages are organised with limited liability, while those in the smaller villages have unlimited liability. That may explain the larger size of the former class of societies, but it does not account for the loans issued to and repayment and deposits made by members per member being also larger. It looks as though, despite all that has been written in support of unlimited liability, it is not as suitable for our country as limited liability. Whether in towns or villages, limited liability societies are found to work better. It is also far more easy to mend or end them than the other class of societies. Perhaps one way of improving a rotten unlimited liability society is to convert it into a limited liability one; for, when it is so converted new members will join it and improve it, but they will not do so as long as unlimited liability continues.

## NON-AGRICULTURAL SOCIETIES.

While, compared with British Provinces and other States, Mysore is decidedly weak in respect of Central Banks, and about the average in respect of agricultural societies, it occupies a most advanced position so far as Non-Agricultural Societies are concerned. The number of members in Non-Agricultural Societies was about the same as in Agricultural Societies—about 71,000 in each case. In no province or State has the membership of the former come so near that of the latter, except Cochin, which on account of its smallness and peculiar situation is not quite suitable for comparison with the rest. Next to Mysore comes Bombay, though it possesses a much larger percentage of urban population than Mysore. In respect of working capital Mysore has gone further ahead of the other provinces and States. While the total working capital of Agricultural

Societies at the end of 1933-34 was 54·34 lakhs, that of Non-Agricultural Societies was 99·33 lakhs, or nearly twice that of the Agricultural Societies. For Bombay the corresponding figures were 423 and 568 lakhs respectively. Nowhere else has the reserve fund of non-agricultural societies exceeded that of agricultural societies. So that, unlike elsewhere, in Mysore it is non-agricultural co-operation which is dominant. In respect of consumers' societies or stores, Mysore comes next only to Madras both in number and transactions. In 1932-33, the sales in Mysore amounted to Rs. 13·62 lakhs, while in Madras they amounted to Rs. 19·07 lakhs. But the latter has seven times the population of Mysore, so that really Mysore is far ahead of even Madras. The store society at Bhadravati is not only conducting its sales very satisfactorily but is also running a mess for the benefit of its members. The store societies of Mysore differ from those of Madras in two important respects: goods are sold on credit, and prices are fixed with reference to cost price and not according to market prices. In both these respects the Mysore societies have departed from the principles of the Rochdale Pioneers. The Mysore store societies have been in existence for quite a long time and apparently they have not suffered on account of this departure. Nevertheless, it is worth investigating what proportion of their assets in the shape of dues from members is really bad debts, and what the position of the societies would be if the bad debts were written off. Such an investigation would be of great interest to all co-operators in this country.

The concluding part of the report contains some spirited paragraphs which are intended to brace up the co-operator who is depressed with the feeling that the co-operative movement is a failure in India. In successive paragraphs attention is called, so far as Mysore is concerned, to the capital owned by the movement, the amount drawn from well-to-do city-dwellers for the use of the poor, the amount saved for borrowers by way of interest, the accumulation of the reserve fund, the employment created, the bringing down of the general rate of interest, the training in management of institutions etc. It warms one's heart to read these paragraphs. We think however, that the claim made in respect of owned capital requires some modification. It is stated to be about Rs. 120 lakhs. (How it is arrived at is not clear.)

“This represents wholly the savings of poor men. But for the creation and preservation of this huge fund of thrift by the



teachings of the movement, its incitements, exhortations, and even compulsion, I would ask where all this money would have been? The movement in collecting these little drops from persons the majority of whom know 'but a meal a day' has not only saved so much money to them which otherwise would have been spent and wasted away &c."

It is a well known fact that most of this owned capital is found in urban societies, chiefly in Bangalore and Mysore, the members of which belong to the educated middle class and do not answer to the description quoted above. Moreover, from the owned capital should be deducted the amount of loans taken by members against their share capital and deposits, as until those loans are cleared they do not become real savings. Whether the poor agriculturist and the artizan in the State have much benefited by the movement or not, there is no doubt that the educated middle class men have. But more could be done to inculcate thrift among them. And steps should be taken to see that a person does not borrow from more than one society except against his deposits.

There are no supervising unions or other non-official agencies for supervision in the State, which is a cause of the weakness of agricultural societies. Propaganda is confined to the calling of the annual co-operative conference at Mysore and the conduct of a vernacular monthly by the Propagandist Institute. A refresher course for Inspectors and a training class for secretaries of village societies were held during the year. The societies and the State ought to spend much more than they are now doing on education and propaganda. There are good and enthusiastic co-operators in the urban areas of the State. It is to be hoped that the Registrar will include the means of utilising them for the benefit of village societies in the programme which he has chalked out for himself for the near future.

# Co-operative Marketing in Agriculture

BY P. ACHYUTA MENON, B.A.

## II

*(Continued from previous issue.)*

As Co-operative marketing of grain is of particular interest to India, we will notice the achievements of two other countries in this direction, Germany and, the most progressive of oriental nations, Japan. Germany towards 1890 was swept over by a wave of depression which hit the corn growers hardest. Already rich in the experience of co-operative credit, thanks to the immortal Raiffeisen, the farmers readily took to combined action for adopting superior methods of marketing as in America. A number of corn societies was formed which the Government actively promoted by making loans or subsidies to them. In Prussia particularly, a large number of granaries was built from public revenues and leased to these societies. In due course Central unions of the local societies were formed for joint sale of grain. A large measure of success attended these societies particularly in Bavaria. In Japan, the rice granary societies were of the earliest type of Co-operative Societies. These societies receive the farmers' produce, grade it into classes according to quality and issue warrant certificates for it. The stored goods are insured against various risks, and sometimes advances are made on goods so stored. Eventually it is disposed of at the best price obtainable. Two methods are in vogue in the actual working. In one case, the society acts simply as a commission agent for the members, and in the other, the society buys the produce outright and markets it at its own risk. Most societies adopt the first method as being more safe and less risky. The profits, after deductions for reserve fund etc., are returned to members on patronage basis.

These achievements of co-operative marketing in the more advanced countries of the world have their lessons for India. They show that as India is essentially an agricultural country with immense resources, she can also profit by the experience of these countries by taking the necessary steps for bringing into existence the types that are particularly suitable to Indian conditions and working them up in a true co-operative spirit, the most fundamental quality that is required for ensuring success, sure and lasting. Historically, India took to the organisation of co-operative credit first. But it did not take many years for those responsible for

fostering the movement to realise that mere co-operative credit, however successfully it may be organised, cannot solve all the numerous problems that beset the path of the agriculturist in India. Organisation for purposes of marketing was recognised to be equally important ; and attempts have been made in the Provinces, no doubt with success in some cases, to tackle this aspect of the problem. But there seems to be no organised movement as yet for promoting co-operative marketing in the various Provinces.

The reasons for this are not far to seek. In the first place, it must be remembered that co-operation in India was introduced by the Government as a remedy for certain evils from which the agriculturists had been suffering for decades, unlike in most Western countries where it was a spontaneous growth. The problem of rural indebtedness which crushed the agricultural population was the main evil which the Government sought to remedy through co-operation. This problem by itself was of such enormous magnitude as to demand the full attention of those concerned with the promotion of the movement. It was also recognised that as a credit society is the most elementary form of co-operative organisation, the foundation should be well laid on a sound credit system before more ambitious schemes were undertaken. The general factors which had caused the stagnation of the agricultural classes also militated against the feasibility of schemes intended to develop the business of farming and marketing on more modern lines. For these among other reasons the development of the co-operative movement in India has been dominated by a strong bias towards co-operative credit, and it must continue to be so, until a sound rural credit system has been firmly established covering the whole field of village life.

A co-operative credit society seeks to raise funds for the purpose of providing credit to its members. Credit may be granted either for productive purposes such as for purchase of cattle, seeds, manures, implements etc., or for non-productive purposes such as for clearance of prior debts, for domestic ceremonies, etc. In India the peculiar circumstances in which the agriculturists are placed make the grant of unproductive loans by co-operative societies unavoidable. But it is taken as a general principle that this class of loans should be reduced if it cannot be abolished altogether, and loans granted more and more for genuine productive purposes. It has already been said that credit plays an important part in production ; and, the efficiency of agricultural

## CO-OPERATIVE MARKETING IN AGRICULTURE

production depends to a considerable extent on the organisation on a systematic basis of a sound machinery of rural finance. This the co-operative credit movement attempts to do. But if the agriculturists are to derive the benefits of combined action in full, it is not enough if they get cheap credit alone. It is necessary to enable them to buy their requirements jointly and sell their produce also jointly. This postulates the development of other lines of work co-operatively than the mere provision of credit.

The constitution of rural credit societies in India is so elastic as to admit of these activities being undertaken by them in addition to their normal function of financing production. Joint purchase of members' requirements and joint sale of their produce may be undertaken by these societies without infringing their rules. This work has in fact been undertaken by many societies, at any rate in the Madras Presidency, with beneficial results. A higher form of organisation for promoting co-operative marketing is the sale society consisting of a number of rural societies and individual agriculturists as members. The plan of work is generally as follows:—The rural society grants loans to members not only for the purchase of farm requirements, but also for payment of rent and revenue, for meeting those necessities of the agriculturists while their produce is ripening in the field and, after harvest, while their produce is awaiting sale for a reasonable price, which cannot of course be had at harvest time. The sale society does not grant loans for production, (although in Bombay this is done) but makes advances on the pledge of produce actually delivered by its members or members of affiliated societies and stored in its godowns. Where sale societies can be conveniently formed with prospects of success, it is all a question of proper division of functions between the rural society and the sale society. The rural society finances production and the sale society finances marketing and eventually arranges for the sale of produce. The same machinery can be and is to a certain extent utilised for joint purchase of members' requirements whether for productive purposes or for domestic consumption.

Co-operative sale societies have been successful to some extent in Bombay, Bengal and Madras. The most important commodities handled are cotton and jaggery in Bombay, jute and paddy in Bengal and cotton and ground-nut in Madras. But there is none of the big success that has attended similar ventures elsewhere, particularly in America. In a progressive country like

America where things are done on a large scale whether it is in industry or in agriculture, the existence of certain general favourable factors has largely contributed to the striking success of co-operative marketing of grain. These are : large scale production by farmers, resulting in large quantities of produce being available for export to known markets, and the high level of education and business and technical intelligence of the farmers which enables them to press into service every advantage which modern scientific advance provides and which skilled organised action at every stage of production and marketing can confer. In our country the dignity of agriculture as a calling is not so well recognised as it ought to be, with the result that the educated youth of the villages instead of sticking on to the profession of their ancestors and utilising their knowledge for the improvement of their agriculture, cherish ambitions for other walks of life and run away from the villages and are lost to them for ever. But in America and other advanced countries agriculture is given its due prominence in the scheme of things, and there seems to be no sentimental antipathy to an agricultural life on the part of educated sons of farmers in those countries.

The main factors that have checked the development of Co-operative sale societies in India are usually stated to be the following: (1) difficulty of creating bulk and grading according to quality owing to the fact that cultivation by individual ryots is on a small scale and large varieties of produce are grown; (2) absence of well regulated markets; (3) inadequacy of laws against adulteration; (4) existence of innumerable standards of weights and measures; (5) inadequacy of means of communication from villages to marketing centres; (6) heavy indebtedness of the ryots which make it impossible for them to act as free agents; (7) the general ignorance, illiteracy and conservatism of the ryots which make progressive development very difficult. The problem of developing co-operative marketing in India seems to be mostly one of overcoming the above unfavourable factors and creating a proper atmosphere of intellectual enlightenment and economic freedom of action which will render new forms and new methods easy of acceptance by the mass of agriculturists.

The importance of education in this connection needs no emphasis. It is not perhaps so much of a technical education of the villagers that is required as a general education that is calculated to improve the mind. Denmark is an example. There are in Denmark

what are known as Rural High Schools where the peasants and farmers, both men and women, between the ages of 18 and 30 receive education. The education has little to do with the science and technic of agriculture, the object being to give a general awakening to the mind by teaching history, literature, language and the songs and proverbs of the people, and strengthen character by the infusion of a strong religious spirit. This system of education has helped to stimulate the natural intelligence and resourcefulness of the Danish farmer, with the result that he is well versed in all aspects of his profession in the scientific side of agriculture, in the business side of farming, and in all important questions of the day. Denmark nearly 50 years ago was mainly a grain growing country, and when the Prussian war swallowed up two of her richest provinces, and further calamities followed in the shape of German tariffs and American competition and a severe agricultural depression, Danish farmers were in the throes of despair. But it is the crowning glory of their system of education that, coupled with co-operative organisation, it has in the course of less than 50 years transformed the whole life and outlook of the farmers and made the country a model of efficiency in agricultural farming, production and marketing.

In India there is a good lot to be gained by the dissemination of a proper kind of education among the masses. Education should not be regarded as a luxury to be purchased by the more well-to-do classes at a high price. As a great English Co-operator put it, "education is desirable for all mankind, it is the life's necessity for co-operators." It is only through compulsory primary education and adult education that the cloud of ignorance still overhanging Indian villages can be dissipated, and the agriculturists put in a position to assimilate higher forms of special knowledge which are necessary for rural development and welfare. Punjab is a notable example where the compulsory education and adult education movement has made much headway under the auspices of the Co-operative Department, and there can be little doubt that the popularity of this movement has helped a good deal to make possible organised action along other lines, such as the Better Farming, Better Living, Arbitration, Thrift and Consolidation of Holdings Societies, in that Province. The Royal Commission on Agriculture in India have drawn pointed attention to this important question of education. They say that what is needed in India is a new public opinion which will break away from old custom and lead people to adopt progressive measures,

and add that it is the primary function of the Co-operative Department to effect this change by patient and continuous education within the villages. In order that the education by the Co-operative Department may be effective, it is necessary that the ground should be first broken by a comprehensive system of general mass education which will reach every one in the remotest villages. The education by the Co-operative Department is bound to be specialistic in character for, what it has to teach are the advantages that are to be gained by organised action for business purposes and by the adoption of improved methods of production and marketing according to co-operative ideals. The soil should be turned by general primary education, manured by Co-operative education, and thus made ready to assimilate the special technical education which is in the keeping of the technical experts, Agricultural, Veterinary and others.

Outside of Co-operative sale of produce, co-operative societies for manufacture have not made much progress in India. Co-operative manufacture of jaggery from sugar-cane has been attempted in Bombay. The new experiment in Co-operative manufacture of sugar started in the Kistna District has vast possibilities. In the direction of co-operative manufacture of butter progress has naturally been slow. This however, is one branch of work which has possibilities for development as there is a lot of demand for good butter and ghee in the towns. The present supply to the towns comes from a multitude of sources and is by no means of uniform quality or even of any quality at all. When agriculturists are made to realise that under certain conditions dairy farming is more profitable than Crop production, and as dairy farming comes to be systematically adopted, there is no reason why co-operative manufacture of butter should not be successful. It is to be expected that the contemplated remodelling and expansion of the Imperial Institute of Dairy Farming and Animal Husbandry at Bangalore will hasten the development of dairy farming and manufacture of butter on scientific lines. Other commodities which provide scope for co-operative handling are eggs, fruits of various kinds and vegetables for all of which there is a demand in the towns. The extraction of oils of various kinds from oil-seeds on a co-operative basis is another branch of work which has potentialities. The chaos and dis-organisation that exist in the trade of these commodities can be dispelled only through co-operative organisation, and the experience of other countries shows that such organisation, though a difficult and laborious process, is bound in the long run to benefit both the producers and the consumers.

## CO-OPERATIVE MARKETING IN AGRICULTURE

It is to be expected that the potentialities of co-operative organisation in the field of agricultural production and marketing in India will be investigated on a systematic basis through the agency of the special officers whom the Imperial Council of Agricultural Research has recently appointed in pursuance of the recommendations of the Royal Commission on Agriculture. The essence of the recommendations of that Commission is that the vast problem of Indian Agricultural Improvement can best be tackled by organising the mass of agriculturists on co-operative lines not merely in the elementary stages of production but also in the higher stages of industrial conversion and marketing of the products of agriculture. The Commission in their historic Report have said that if co-operation fails there will fail the best hope of Rural India. This important pronouncement is true in more senses than one and conveys a message which every one concerned with Indian Rural Development will do well always to cherish as a Biblical maxim. It is to be earnestly hoped that through the labours of the marketing officers, a new era of agricultural regeneration will be ushered in enabling the mass of Indian agriculturists to attain the bliss of Better Living through the paths of Better Farming and Better Business.

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## Crop Insurance

BY DIWAN BAHADUR AMBASHANKER U. MALJI, BROACH.

The writer has bestowed some thought over this question in connection with small holders (holders of lands below 50 acres) and had enpassant referred to it in the course of his evidence before the Bombay Provincial Banking Enquiry Committee. Briefly put the idea was to replace the 10 per cent compulsory deposits\* by insurance premium and it was pointed out that the annual agricultural profit of each member would require to be individually fixed in advance, regard being had to normal conditions and after making all allowances of cost of production, excluding his maintenance. The percentage of loss to be compensated was suggested to be fixed at 33 per cent of the estimated profits. Each society in that case may have to bear 11 per cent of the loss itself and reinsure the risk against payment of fixed premiums with its financing institution who would contribute to the extent of another 11 per cent of same, the remaining 11 per cent being guaranteed by Government. "The financing institutions should either reinsure their risk some where or the same needs be annually provided from the profits and limited to the balance of such funds by way of guarantee."

In the above scheme dry cultivation of ordinary small land-holders only is borne in mind. Holders of such land below 20 acres cannot live on agricultural profits and in that case the premium rate can be advantageously reduced to Rs. 5 and the rate of Rs. 10 can be similarly increased to Rs. 10 more for every 50 acres or a part thereof in excess of the maximum small acreage of 50 acres. In other words, large landholders of over 50 acres will annually pay Rs. 10 more for every 50 acres more held by them.

Adverting to irrigated area—an exceptional situation in Gujarat—the same may safely be ignored in as much as there are fewer chances of failure in such crops.

In order to successfully run the insurance business, it may again be made a condition of business terms that unless at least three annual premiums were recovered, no insurance money should be paid in case

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\* In Bombay Presidency the bye-laws of rural societies provide compulsory deductions of 10 per cent as deposits from every loan to members to enable them to be thrifty and self-supporting in course of time. In some societies this provision has been replaced in recent years by share system with unlimited liability.

## CROP INSURANCE

of a loss and if the loss is not less than  $\frac{1}{3}$  of the normal crop of the member's entire holding during the year.

The question of insurance against the failure of crops is very important and its absence is the root cause of poverty of the agriculturists. On the security of crops depend the realisation both of Government revenue and societies' dues and repayment of bazaar and other debts of the agriculturist. With the benefit of insurance, the insecurity of the crop will be partially removed, and this arrangement must also set him up for the next year. It will to some extent strengthen the credit worthiness of the agriculturist. The oft repeated complaint of exaggerated annavarai will also give way in course of time and truth encouraged all round. In the absence of such facilities the agriculturist will be more involved.

The poor agriculturist is not ordinarily in a position to pay cash premiums. Under the compulsory deposit system, the same are deducted out of the loan advances and thus savings are secured. Ordinarily 10 per cent of loans are so deposited. As regards that 11 per cent limit in para 1 above is by no means heavy or prohibitive.

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## Recent Utterances.

### THE SILVER JUBILEE CELEBRATION OF THE SALEM URBAN CO-OPERATIVE SOCIETY, LTD., SALEM.

*The following is the main part of the Commemoration Address delivered by Mr. T. Adinarayana Chettiar, Bar-at-law, President of the Salem District Urban Bank, Ltd., Salem.*

The numerous speeches this morning and the several messages that have been pouring in, are without doubt, an eloquent testimony to the undoubted achievements of this institution in the past. In a country like ours where sustained public work is rather rare, the very fact of the prosperous existence for over a generation of this institution is in itself no mean achievement. As one responsible for the genesis of this institution and as the pilot that had to successfully steer the then fragile craft through the troubled waters of faction and indifference, I can bear personal testimony to the highly useful work this Society has done in the past several years. The hundreds of poor homes which it has set right and the thousands of humble folk to whom it has lent prompt and generous help in times of their need would hardly have been possible but for the self-sacrificing labours of those responsible for the inception of the Society.

The immense usefulness of the Urban Bank in the present day should, however, not blind us to the defects of omission and commission we have been guilty of in the past. A father is never satisfied with the achievements of his offspring. He would want them scale greater heights and touch higher points of glory and fame. This is the spirit which impels me to do my task to-day. Money lending is at best, a prosaic—some would say sordid subject. Certainly no poet has written an Odyssey on it. Every religion seems to shun money-lending; yet when we give it the gloss of mutuality, of co-operation, even money-lending ceases to be accursed and becomes exalted even as a common place landscape looks bright and beautiful in the glory of sunshine.

I have no doubt that some high ideals must have inspired the honorary workers who worked from morning till night, attending to all the elaborate details of accounting and even carried the loan and admission registers to the members' houses. I remember how a District Munsif who was once in the Directorate tried to get a large loan sanctioned to a man of straw and the then Registrar, Sir P. Rajagopalachariar, wired to me, "Coming by Passenger. Do not resign or do any such foolish thing." Such was the spirit of conscience and earnestness that inspired the non-officials and officials who shouldered the yoke in those days. If we ask the workers, who have survived till to-day, to define the

## RECENT UTTERANCES

ideals that inspired them to work, they will only tell you "It is impossible." I do not think I can be more successful either where they faltered. But I may state what exactly it was that sustained us in our work. It was, firstly, the urge in us to succeed. It was a spontaneous and natural feeling as the urge that makes the seed shoot out when warmth and moisture are applied to it. The second was the desire to succeed in spite of opposition. A Darwin might give this natural force an attractive name, but I may be excused for not attempting it. But above all, it was a belief; it may in the light of later events or more experience or mature wisdom appear a mistaken belief but at that time nevertheless real, that we are working for a better state of society; that we would remove the course of indebtedness, that hangs like a millstone around the neck of our ryots and make this world of misery overflow with milk and honey—that sustained us in our task. Please do not ask us if we have realised the ideals we set before ourselves then; for if our *ideals* were so easily realisable they would then be hardly worth the name.

It is fitting that we should at this stage examine and see wherein we have failed but with the sole object of improving the quality of our work in the future, so that when the time comes to celebrate our Golden Jubilee, we would be somewhat nearer the millennium than we are to-day. In my opinion, the initial mistake we, co-operators, made was to neglect the Urban Population much too long. The Government who planted the exotic plant of co-operation in the Indian soil might have had the idea that the man behind the plough who raised the salary of the Viceroy and found the 50 crores for the maintenance of the Army, should be first redeemed. It might be also as some im-piously thought, the Government revenues would be more readily realised if the rural population were given the advantages of facile credit. But it would be more generous to suppose the Government thought, whereas every large town in South India at the time, at any rate, had its successful Nidhi or Permanent Fund, it was the village, which was neglected and was in need of co-operation. At any rate, the fact remains that rural co-operation was cultivated to the exclusion of Urban by the early promoters of the movement and it was not till the passing of the second Act, the Urban side received recognition. The few Urban Banks that were founded anterior to the Act of 1912 were those founded in spite of the neglect and if they flourished it was in spite of the inattention. This lack of attention to the Urban side and its special needs will be evident from the fact that the earliest Urban banks started as unlimited societies and even to-day the Urban Bank bylaws are more or less, the replicas of bylaws of rural societies, little adapted to Urban needs and differing only in the matter of limited liability. If Urban institutions are to realise their highest ideals and play their proper role in future, it will be necessary to suitably recast the by-laws.

The failure to appreciate the usefulness of the Urban institutions and to spread the scope of their service is also largely attributable to a decree to the non-officials, who had been content to go on the trodden path much too long. For instance, lending on gold jewels is an institution as old as Manu in this country. But even in large Urban institutions where facilities for safe-deposits exist lending on jewels was not allowed. May be some officials ruled the idea was not good; but why did not the non-officials assert themselves against it? In a recent Central Bankers' Conference when the question of lending on jewels came and it was about to be dropped almost without discussion, I arrived on the scene and pointed out the utility of lending on the pledge of jewels and gold, the resolution was then passed. I give this instance only to show that we, workers, have not as yet developed deep convictions in many matters of vital importance.

I may give another instance—loans on mortgages were at first discouraged. Mutual knowledge of each other among the members was highly prized and each member was expected to act as policeman on his neighbour, to watch the proper application of the loan amount—a copy book maxim that still adorns our rural bylaws. As the Urban Banks grew into unwieldy institutions which they are to-day, this mutual knowledge of members has become impossible, so that to day mortgage loans are the rule and the surety the exception. I once chanced to come into a general meeting of the Salem Urban Co-operative Society. It was election time. The scene reminded me of the recent Congress election for the Assembly; there was so much buzz and canvassing and no one seemed to know another. Well might an old co-operator of 30 years ago, come back to the meeting and ask, "Where is the ideal of co-operation, the mutuality." The echo alone would answer.

The failure to visualize the scope of new channels of service by the Urban institutions was another important cause for arresting the development beyond lending for "Chittah" purposes like buying provisions, trade, education, house-building, land-purchase, etc. No attempts were made to develop lending for productive purposes. I do not suggest the lendings so far made were not useful or their purposes not legitimate. I know as a matter of fact, many a borrower would have gone to sowcar and to ruin if the doors of this Urban Co-operative Society were not kept open to him these years. Yet the failure to try to examine the scope for lending loans for productive purposes cannot escape criticism. The test and usefulness of co-operation is the measure by which it leads the borrower to prosperity. Judged by this standard, it is only loans for productive purposes that can really be called co-operative. It is not possible in this world to be without borrowing and lending. Polonius' advice to his son "Neither a borrower nor a lender be" was out of date

even at the time of old Queen Bess. Now-a-days, when the whole world-transactions are based on credit, it would sound *ante-diluvian*. There is not the least harm in borrowing, so long as the object of the borrowing is to make more money therewith. If a carpenter buys some timber and makes furniture with borrowed capital or a blacksmith iron and makes ploughshares or a ryot some wool and turns it into kambli, who can call such borrowing bad or useless? It is by the increase of such productive loans that co-operation can justify its existence. Mere mortgaging the ancestral property to provide the unconscionable dowry demanded by the F. L. bridegroom by a father-in-law who has the good fortune to usher into this world eight daughters cannot be considered co-operatively satisfactory even though a trained and cautious lawyer like Mr. Chinnaya Pillai has examined the title and a strict officer like Mr. N. V. Krishniah Chettiar has recommended the loan. What is needed at the present day to be done by a Co-operative institution is the checking of wastefulness among our lower middle classes who often live beyond their means and the need to encourage thrifty people though poor with loans for genuinely productive purposes. In a big city like Salem, with over 25,000 weavers, only a handful of the class have living contact with this premier Urban Bank. May be a loan to an individual weaver is unsafe. But loans given to groups of workers certainly ought to be otherwise and certainly there is nothing in the bylaws preventing such group loans. Further the possibilities of helping trade and building custom by lending on produce and pledge of other goods have been little realised by the Urban Banks. Lending on the pledge of produce is lucrative and admits of vast possibilities of expansion, is not open to doubt. In a place like Erode, smaller than Salem, one commercial Bank has within 6 months of its advent lent out Rs. 12 lakhs. It is not enough, therefore, for us at Salem to be content with the fact that our Urban Co-operative Society is one of the biggest in India. We should also strive to see it is one of the foremost and efficient also. No Bank could be considered to have discharged its duties efficiently, so long as it refuses the deposit of a person on the plea it is unable to invest, at the same time as there are also people within its area of operation who encouraged with loans under proper supervision will surely add to their income and also repay the loan with interest. In emphasising this need to develop the local trades and manufactures of the Urban Bank, I may mention it will be worth the while of each Urban Bank to survey the area, study the economic condition of the residents and the occupation of groups that can be helped to prosperity and efficient production under proper financial direction. If Urban Banks only undertake their work in this spirit they will have no occasion to reject any deposit, more so, the small deposit as they are now compelled to do. If you perhaps search the rubbish accumulated in your storeroom, you will find an engraving-block with the picture of the

anna coin, meant as the receipt for the deposit of an anna by poor wage-earners, whose unit of saving is only the anna, to multiply at 5 per cent C. I.

Lastly, it is necessary also, the Urban Banks should develop pure banking in a greater degree. It is high time that the complaint that Indians lack the Banking habit, is wiped out. If the large Urban Co-operative Banks function properly and command public confidence, people will not be so eager to hoard their savings in gold or to take to the risky paths of private lending. Even joint-stock enterprise will become popular which it is not to-day. It will be no impossible task, if Urban Banks strive to achieve the ideal set forth above in a measurably short period of a decade or so. But to plan and do this effectively it may be necessary to form federations or Unions of Urban Banks of specified areas to facilitate consultation in common for services such as audit, or for planning as it may be. In a time of crisis like the present, no institution is so well equipped to play the role of the deliverer to work for the economic regeneration of the people as the Urban Banks. The magnitude of the task, however, should not deter us. On the other hand, it should inspire us, rather, to greater and sustained efforts. In this connection, permit me to hope the next conference of Urban Banks will be invited to be held at Salem. It is a cause of great satisfaction to me to note, in these days when private bickerings and communal feelings are driving away tried workers from co-operative institutions, the general sense of the electorate of Salem have made available to this Bank for so long a period without interruption, the services of a tried worker like Mr. Krishniah Chettiar; but with all my personal regard for my esteemed friend, I must say, the time is coming, when big Urban institutions like this, should be in the hands of full-time trained, and expert Secretaries on decent salaries.

The question whether one large bank or number of small banks are best calculated to serve an area, is a hardy annual. I may state I am in favour of large institutions; for only such institutions can command respect in the money market. They alone can afford to pay for technical and expert services, of first class men as Secretaries. The question of the election of the Directorate by an unwieldy General Body should not huddle us into the perilous paths of bifurcations. It can and must be solved in a sensible manner. Continuity of management, can be ensured by securing the retirement of a part of the Directors each year and by going in for paid Secretaries, on a permanent footing, who will have the right to speak without voting in the Executive meetings. In big towns like Madras, or Trichy or Salem, the election of Directors at so many per ward or branch can be also devised. I do not like to enter into further details. The little I say is only to indicate the practicability of arriving at proper solutions.

## Correspondence.

*Applicability of the Indian Limitation Act to proceedings under  
section 51 of Madras Act VI of 1932.*

SIR,

While appreciating the arguments of the learned arbitrator Mr. V. Satyanarayana Pantulu Garu whose judgment is published at page 451 of the previous volume of the "Madras Journal of Co-operation," one cannot but feel that law has been twisted out of shape for helping the said Mr. Pantulu in arriving at what he thought to be a just conclusion. No doubt eminent jurists have observed that 'the debtor' may either take advantage of the statute of Limitations - or he may waive his advantage, 'and in honesty he ought not to defend himself by such a plea. Another states that 'a defence based on the statute of Limitations is an unjust and discreditable defence'. But as observed by an eminent writer on the subject 'as no law can be (legally) unjust, it may be admitted that from a purely judicial point of view, the plea of limitation is not and cannot be an unjust defence.' The law designs to protect these persons from claims brought forward against them at a period when it might be presumed from the lapse of time that the claims are either fictitious or that they had been satisfied or abandoned'. Honest parties who have not really abandoned their claims may sometimes suffer loss by reason of this law, but it is nevertheless expedient that the general good of the community should be purchased at the expense of individual hardship. It is perhaps that occasional injustice should be permitted than to run the risk of doing greater injustice by entering into the consideration of transaction which the distance of time may perhaps render incapable of a satisfactory explanation. This individual mischief is further justified on the ground that a party who is insensible to the value of civil remedies, and who is tacitly acquiescing in the conduct of his opponent, does not assert his own claim with promptitude, as little or no right to require the aid of the state in enforcing it. '(Mitra's law of Limitation and prescription Vol. I, (If these observations are borne in mind one cannot but say that the defendant has unjustly suffered in this case.

The learned arbitrator has considered that the Indian Limitation Act is not applicable to cases tried by arbitrators. His reasoning is (i) an arbitrator trying cases under section 51 of the Madras Act VI of 1932 is not a 'Court' within the meaning of the Indian Limitation Act and (ii) the co-operative societies are partnership concerns managed by persons elected by themselves for their mutual benefit and so, claims due from members to the institution as a whole, stand on a quite different footing from claims between persons with no common interest.



It does not appear that the learned arbitrator was correct in holding that the tribunals constituted under section 51 are not 'courts'. He relies on the definition of the term 'court' in the Indian Evidence Act and says that the act excludes the arbitrators from the scope of that term. It does not appear that the framers of the Indian Evidence Act of 1872 when they defined the 'term' court had in mind the arbitrators who are referred to by Act VI of 1932 or those contemplated by Rule XIV of the rules framed under section 43 of Act II of 1912. In fact the arbitrators un-referred to in section 3 of the Indian Evidence Act are persons to whom parties voluntarily submit their disputes for decision. Apart from that the definition of it 'court' is framed only for the purposes of the Act itself and should not be extended beyond its legitimate scope. (Woodroffe and Amir Ali Law of evidence)

Of the same opinion are the learned Judges who decided the case in 41 Madras Law Weekly 503. At page 508 their Lordships observe 'definitions are of limited scope, being framed only for the purpose of the Act in which they occur, unless specially extended. Such are the definitions of 'Court' in section 3 of the Evidence Act, and of 'Court of Justice' in section 20 of the Indian Penal Code. It is for instance, an essential feature of the power of a court that it should be able to give a definite judgement upon the matter in hand. At page 510 Their Lordships say 'In England too, the question what is a court' has been answered, not by reference to any formal definitions or hard and fast system of classification, but by analysing the functions and procedure of the tribunal under scrutiny. The term is restricted to such tribunals as exercise jurisdiction over persons by reason of the sanction of the law, and not merely by reason of voluntary submission to such jurisdiction. Hence Arbitrators do not constitute a court. At page 511 Their Lordships summarise the effect of a series of decisions and observe 'If it has power to regulate legal rights by the delivery of definitive judgments and to enforce its orders by legal sanctions and if its procedure is judicial in character in such matters as the taking of evidence and the administration of the oath, then it is a 'Court' They further say that 'there is no other test applicable to an undoubted court which they fail to satisfy.

Here also it should be observed that their Lordships have in view only those arbitrators to whom parties to dispute voluntarily submit their disputes for decision. Such are the arbitrators contemplated in schedule II of the Code of Civil Procedure. In cases contemplated by section 51 of the Madras Co-operative Societies Act the consent of the parties is immaterial.

The judgment and decisions of the tribunals are final. In fact the arbitrators contemplated in section 51 of Act VI of 1932 satisfy the

## CORRESPONDENCE

requirements in the test laid down the judgment of the High Court referred to above.

In 47 Bombay 699 their Lordships had to give a finding as to whether the collector acting under the powers given him under the Land Acquisition Act is a 'Court'. Their Lordships say what constitutes a court does not appear to have been defined by any act of Legislature, but it may be presumed that an officer to be a 'court' must be competent to make a judicial decision. This test also is satisfied by the Arbitrators appointed under the Co-operative Societies Act.

The second ground on which the learned arbitrator holds that the Limitation Act is not applicable to proceedings under section 51 is that the Co-operative societies are partnership concerns managed by persons elected by themselves for their mutual benefit and so, claims due from members to the institution as a whole stand on quite a different footing from claims between persons with no common interests. It seems to me that the learned arbitrator has not considered the fact that even in partnership concerns a partner has a dual capacity. He can be a creditor to the firm of which he is a partner, and in that capacity advance monies to that firm and receive interest thereon. No doubt it may be that under section 43 of the Indian Contract Act he may have to contribute equally with the other partners for paying off the debt due to himself but it does not take a suit by him against the partnership out of the scope of the Indian Limitation Act. In A. I. R. 1921 Nagpur 45 the Court had to consider the position of a person who had advanced money to the firm of which he was a partner at the time when the advance was made. At page 46 they say "the further contention of the appellant that a partner in a firm can have a dual capacity, that of creditor of the firms as well as that of a partner in it, seems to be incontrovertible. In *Govinda vs. Haridas* (23 C. L. J. 148) on a review of a number of English authorities it has been held that in the absence of an express or implied stipulation or trade custom to the contrary, interest is payable to a partner for money paid or advanced by him to the firm beyond the amount agreed to be subscribed as capital the payment being treated not as an increase of capital but as loan. Later on it is observed, 'He is not only a promisee of the firm, but he is also one of the joint promisors to himself and under the second paragraph of section 43 of the Contract Act he can only call upon each of the other joint promisors to contribute equally to the payment to be made to himself as promisee'.

The question as to whether the principles enunciated in the Limitation Act apply to proceedings before the arbitrators contemplated in schedule II of the Code of Civil Procedure has been concluded by authority. In 56 Madras Law Journal 614 the Privy Council had to

consider the question. At page 619 their Lordships say 'The first question of law which arises is the important general one, whether the Indian Limitation Act 1908, applies to arbitration proceedings. The Board cite with approval a passage from an English case which runs as follows. A submission to arbitration does not *per se* exclude the right of either party to raise the defence of the statute of Limitations, but if it be intended to exclude such a defence an express term to that effect must be imported into the agreement of submission. In his judgment Bruce, J. said, 'There is nothing in the submission to take away the right of the Tyldesley coal company to raise any defence in relation to their liability for damages. It seems to me unreasonable the parties to a submission should be precluded from raising the defence of the Statute of limitation unless a provision to that effect be drawn up and embodied in the submission. In the same judgment at page 621 the Board cite from the judgment of Viscount Cave in L. R. (1927) A. C. 610. There His Lordship observes,' My lords, I am far from wishing to throw doubt upon the view which has been commonly held, and which was affirmed by a decision of a Divisional Court in the case of *In re Astley and Tyldesley coal company*, that an arbitrator acting under an ordinary submission to arbitration is bound to give effect to all legal defences, including a defence under the statute of limitation. A decision against that view might seriously prejudice the practice of referring disputes to arbitration. The Board later on observe 'Although the Limitation Act does not in terms apply to arbitration they think that in mercantile references of the kind in question it is an implied term of the contract that the arbitrator must decide the dispute according to the existing law of contract, and that every defence which would have been open in a court of law can be equally proponed for the arbitrator's decision unless the parties have agreed to exclude the defence.' It should be noted that even in cases where parties voluntarily submit their cases for arbitration their Lordships are of opinion that the question of limitation should be considered and decided. A case under section 51 is not submitted to the arbitrator or the Registrar by consent of both the parties. The Registrar or the Arbitrator is constituted a special tribunal by the legislature. Hence it has to be seen that the mere fact that in arbitrator under section 51 of Act VI of 1932 has to decide a certain case does not take it out of the scope of the Indian Limitation Act.

P. K. SRINIVASARAGHAVACHARYA,  
*Legal Advisor to the Urban Bank, Ltd., Tindivanam.*  
 23-4-1935.

## Co-operation in Legislative Council.

15-3-1935.

*Limit of borrowing powers of members of primary Co-operative Societies.*

894Q.—Mr. V. G. Vasudeva Pillai: Will the Hon. the Minister for Public Works be pleased to state—

(a) whether there is any principle observed by the Registrar of Societies in fixing the individual borrowing power of members of Primary Co-operative Societies;

(b) if so, what the limit prescribed is for employees' societies;

(c) whether there have been any instances in which the above limit has been permitted to be exceeded;

(d) whether any of the societies in the city applied for enhancement of maximum borrowing power;

(e) whether such applications were rejected by the Registrar; and

(f) the reasons, if any, assigned for such rejection?

A.—(a), (b) & (c). The maximum borrowing power of a member of a primary society depends upon the borrowing power of the society itself. The borrowing power of a society is fixed with reference to certain principles. In the case of a society with unlimited liability, it depends upon the net assets and the average needs of members and also on the capacity of the members to manage its affairs. In the case of a society with limited liability, the borrowing power is fixed with reference to its paid-up share capital and reserve fund and also on the quality of management available. The limit varies with the type of society and is generally once, twice or up to eight times the paid-up share capital and reserve fund. In the case of a society with unlimited liability, the individual maximum borrowing power is fixed with reference to the needs of an average member, provided that no individual can get an undue share of the amount borrowed. In the case of ordinary limited liability credit societies, although the average need of a member is taken into consideration the limit is fixed with reference to the paid-up share capital of the member concerned. In the case of employees' societies the limit is fixed generally as so many times to pay of the borrower. The actual limit depends upon the nature and the type and the working of the employees' society and is generally fixed at four or five times the substantive pay of each member. There are exceptional instances of six times the pay being permitted.

(d) Yes.

(e) & (f). Yes. The members of the wage-earners societies are generally inclined to borrow up to the limit and there is a tendency on their part to increase their indebtedness. Their requests have therefore been rejected as a general rule, in order to encourage thrift.

Diwan Bahadur C. S. Ratnasabhpathi Mudaliyar:—"Sir, the answer given here is :

' In the case of a society with unlimited liability, the individual maximum borrowing power is fixed with reference to the needs of an average member, provided that no individual can get an undue share of the amount borrowed '.

"May I know whether every case is decided at the time the application is received, on its own individual merits? "

The Hon. Mr. P. T. Rajan :—" Possibly, Sir. "

Diwan Bahadur C. S. Ratnasabhpathi Mudaliyar :—" May I know whether there is no reasonable limit fixed in the by-laws? Are there no by-laws to that effect? "

The Hon. Mr. P. T. Rajan :—" Probably, every society has its own by-laws. "

Diwan Bahadur C. S. Ratnasabhpathi Mudaliyar :—" May I know whether the loan limit is fixed in the by-laws themselves or at the time the application for loan is submitted to the board? "

The Hon. Mr. P. T. Rajan :—" I want notice of the question. "

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## Reviews.

### REPORT OF THE CO-OPERATIVE ENQUIRY COMMITTEE, TRAVANCORE.

It is a happy sign of the times that all Governments including those of the Indian States are anxious to take stock of the situation existing in their areas in regard to the progress of the co-operative movement and wish to apply suitable remedies not only to prevent further deterioration, if it exists already, but also avoid stagnation. The progressive Government of Travancore appointed a Committee for this purpose under the presidency of the veteran co-operator, Mr. G.K. Devadhar, M.A., C.I.E., President of the Servants of India Society. The report issued bears ample testimony to the arduous labours of the Committee who did not spare themselves to study deeply every aspect of the question and suggest various measures, which, if given effect to, would bring about a radical change for the better in the movement. The Committee makes 295 recommendations dealing with all aspects of the movement. To students of co-operation and the workers in the field the report is a valuable document containing very useful material given in great detail.

One school of co-operators seem to be surprised that a Committee presided over by Mr. Devadhar should have recommended that official control and guidance should continue in a greater measure. But it may be said that even the worst critic of Government cannot but recognise that but for Government control and guidance even the little progress we see all round would not have been possible and if the movement has not gone worse it is due to that control and guidance. A study of the movement in different provinces reveals a state of things which must make anyone pause and consider if the movement will play at all the part it is meant to do in the economic reorganisation of the country. It has been often said that the evils noticed in the co-operative movement are largely due to lack of education. But Travancore presents a different problem altogether. It is educationally the most advanced province; but for some reason the economic progress especially in regard to the spread of the co-operative movement has not been as great as it ought to be. If the recommendations of the Devadhar Committee are given effect to, rapid strides are sure to be taken with an enlightened population to work the movement.

Travancore is faced with the problem of over-population. During the quarter of a century her population has increased enormously and land, the only means of support for a greater part of the population, can

no longer produce enough to maintain her growing population even if all improved methods of cultivation came into vogue. Starting of industries which can give employment is the need of the hour. Whether it should be of the capitalistic type or of co-operative type is the question. The Committee is unanimous in recommending that industrialisation should be organised on co-operative lines especially in the organisation of cottage industries. Here is a problem which Travancore can solve and be an example to the rest of the country. Suggestions such as the organisation of a Co-operative Industrial Bank, the reorganisation of the Central Produce Society and formation of cottage industries societies to encourage coir industry, poultry farming, bee-keeping etc., organisation of societies for fishermen, opening of sales depots for the sale of finished products of cottage industries societies, are some of the important recommendations of the Committee calculated to promote the economic interests of the subjects of the State.

The chapter on the relief of agricultural indebtedness is packed with valuable proposals based on a deep study of the question and of the methods pursued in other places to solve this problem. The Committee suggest the formation of Land Mortgage Banks, creation of Debt Conciliation Boards and promotion of a simplified insolvency law. Apart from these proposals the Committee strongly advise the Government to undertake measures to increase the productive capacity of agriculturists by introducing improved methods of cultivation as also a scheme for the development of subsidiary occupations.

The appendices to the report contain valuable information dealing with many important problems. Notes on the Debt Redemption Schemes in Bhavanagar and the North-West Frontier Province, extracts from letters received from Registrars of Co-operative Societies on the subject of liquidation and the extracts from the MacLagan Committee and Myrick's book on *Federal Farm Loans system*, besides notes submitted by the departmental heads, all afford interesting and useful reading to all interested in the growth of the Co-operative Movement. Travancore should be congratulated in securing Mr. Devadhar's services for he has not spared himself not only to study the problem in every aspect but has travelled far and wide to study institutions in order to secure remedies for the problems which confront Travancore. It is a valuable report and no student of co operation should fail to possess a copy of the same. It is earnestly hoped that the Government of His Highness the Maharaja, which has already shown utmost solicitude to the agriculturists by declaring a kind of moratorium in regard to debts of agriculturists, will give careful consideration to the recommendations of the Committee and will not hesitate to give effect to them without caring for the cost involved as the growth of the co-operative movement

## REVIEWS

is in the interests of the economic progress of the State. Money spent on such a laudable object is well spent. His Highness is sure to earn the gratitude of his loyal subjects for the blessings of economic progress which it will be his privilege to confer on his subjects.

R. S. R.

## FOOD.

BY COL. McCARRISON

*(Translated into Tamil by Mr. N. S. Sivasubramanyam, M. A.,*

*Published by the Tamil Nadu Co-operative Federation)*

*Price Annas Eight.*

Col. McCarrison's book Food is well-known and it has been well received. He has rendered valuable service to the public by his publication. The original which is written in English will certainly serve a more useful purpose, if the large number of people who do not know English be given an opportunity to acquaint themselves with the essential facts about food. The book before us which is a translation of the original in Tamil is thus a timely and useful publication.

As was pointed out by Col. McCarrison himself in the preface, the problem of food is a serious one with many people. It is admitted that good and nutritious food is not within the easy reach of a large number of people. Even those who can afford are in most cases ignorant of the food value of the various food-stuffs they consume day after day and very often good use is not made of the available materials. The book gives in simple Tamil useful information, regarding the nature of the several food materials and the manner in which one can select a proper and nutritive *menu* that will promote good health. The food value of milk, vegetables, fruits and nuts is clearly described and the defects in cooking which lead to the wastage of minerals and vitamins are explained. The importance of vitamins in regard to growth and resistance to disease is emphasised and suggestions are given for the adoption of a suitable whole some diet. The several kinds of food-materials such as grains, pulses etc., are dealt with clearly and their characteristics are also pointed out. The information that is given is based on actual investigations made by Col. McCarrison and will therefore prove very useful to the public. The tables at the end of the book which furnish details regarding the percentage of proteins etc., in the food stuffs used by the people and the presence or otherwise of different kinds of vitamins will serve a good purpose and anyone who is keen on maintaining his health can easily make his own choice. The Federation deserves to be congratulated on its having succeeded in bringing out a neat book in Tamil so useful to the public.

M. S. SABHESAN.



## Audit Fees—Scale of Fees.

In virtue of the powers conferred on him by rule XI of the rules issued by the Local Government under Madras Co-operative Societies Act VI of 1932, the Registrar hereby fixes, with the previous approval of Government, the following scale of fees payable by societies towards the cost of their audit :—

(1) Scale for primary credit societies other than land mortgage banks—This will be calculated on the working capital as it was on the last day of the Co-operative year previous to the one in which the fees are levied as follows :—

Eight annas per Rs. 100 of the working capital for the first Rs. 50,000 or part thereof ;

Six annas per Rs. 100 for the next Rs. 50,000 or part thereof ;

Four annas per Rs. 100 for the next Rs. 1,00,000 or part thereof ;

Three annas per Rs. 100 for the next Rs. 1,00,000 or part thereof ;

Two annas per Rs. 100 for the next Rs. 1,00,000 or part thereof ;

One anna per Rs. 100 for the next Rs. 1,00,000 and above or part thereof.

Working capital will for the purpose of this rule include—

- (1) Paid-up share capital ;
- (2) Deposits and loans from individuals and institutions ;
- (3) Deposits and loans from other co-operative societies ;
- (4) Loans from Government ; and
- (5) Reserve fund.

(2) Scale for purchase, purchase and sale, production, production and sale societies.

This will be calculated on the value of purchases, sales or articles or goods produced, as the case may be, in the co-operative year previous to the one in which the fees are levied.

One fourth per cent on the value of goods purchased, sold or produced.

(3) Scale for building societies—These societies will be exempt from the payment of any fee for a period of three co-operative years from the date of starting. After such period they will be levied fees at a flat rate of two annas per cent on their working capital as it was on the last day of the co-operative year previous to the one in which fees are levied.

## AUDIT FEES—SCALE OF FEES

(4) Scale for printing presses, hostel societies and other miscellaneous classes of societies—Five per cent on gross income in the co-operative year previous to the one in which the fees are levied.

(5) Scale for the Provincial Bank, Central Banks, Central Land Mortgage Bank and Primary Land Mortgage Banks—This will be calculated on the working capital as it was on the last day of the co-operative year previous to the one in which fees are levied as follows :—

Up to 5 lakhs—Twelve annas per Rs. 1,000 of working capital.

Over 5 lakhs up to 15 lakhs—Six annas per Rs. 1,000 of working capital.

Over 15 lakhs up to 30 lakhs—Three annas per Rs. 1,000 of working capital.

Over 30 lakhs—Two annas per Rs. 1,000 of working capital.

The Central Land Mortgage Bank and the Primary Land Mortgage Banks will be exempt from the payment of any fees for a period of three co-operative years from the date of starting.

K. DEIVASIKHAMANI ~~...~~,  
Joint Registrar of Co-operative Societies.

Madras, 10th May 1935.

### *List of Societies registered during the month of May 1935.*

Name of the Society.	District.
The Pallikonda Weavers' purchase and sale society...	North Arcot.
Thirupanangadu Button Manufacturers' Co-operative Production and Sale Society ... ..	...
Kenthorai Co-operative Credit Society ... ..	Ootacamund.
The Gudivada Christian Co-operative Society, Ltd....	Kistna.
The Golden Rock Co-operative Thrift and Loan Society, Ltd.... ..	Trichinopoly.
Yesanai Co-operative Credit Society ... ..	"
The Koyampalli weavers' Co-operative Society, Ltd....	"
The Kollengode Raja's High School Students Co-operative Stores, Ltd., Kollengode ... ..	Malabar,
Salem Bodinayakkanpatti Co-operative Society ...	Salem.
The Shevaroy Hills Coffee Planters' Co-operative Credit Society, Ltd. ... ..	"
The Penugonda Co-operative Loan & Sale Society, Ltd. ... ..	West Godavari.
The Narasapur Co-operative Urban Bank, Ltd. ...	...

# THE MADRAS JOURNAL OF CO-OPERATION

*List of Societies whose Registration has been cancelled during  
the Month of May 1935.*

Name of the Society.	Name of District.	Date of cancellation.
1. Kistna Co-operative building Society ...	... Kistna	3-5-35.
2. Sivapuram C.S. ...	... Cuddappah	4 5-35.
3. Kothapet Oruganti Reddi Tenants' C.S. ...	... Guntur	"
4. Madura-Ramnad District Co- operative Federation ...	... Madura	10-5-35.
5. Thiruvencaranai C.S. ...	... Chingleput	11-5-35.
6. Puliambatti C.S. ...	... North Arcot	"
7. Malabar District Co-operative Federation ...	... Malabar	13-5-35.
8. Athukudy C.S. ...	... Tinnevely	14-5-35.
9. Kistna District Co-operative Federation ...	... Kistna	17-5-35.
10. Ungutur C.S. . ...	... West Godavari	"
11. Maddikara Panchama C. S....	... Kurnool	"
12. Minagallu C.S. ...	... Nellore	"
13. Arasakulam C.S. ...	... Ramnad	"
14. Mayanoor F.L.C.S. ...	... Trichinopoly	21-5-35.
15. Siddaramapuram C.S. ...	... Anantapur	23-5-35.
16. Pathukottai F.L.C.S. ...	... Trichinopoly	"
17. Kuduru C.S. ...	... Anantapur	25-5-35.
18. Cuddappah District Co-opera- tive Federation, Ltd. ...	... Cuddappah	26-5-35.
19. Chathangottupuram C.S. ...	... Malabar	"
20. Periapatti C.S. ...	... Coimbatore	"
21. Bukkapatnam L.C. Union ...	... Anantapur	28-5-35.
22. Punnayurkulam C.S. ...	... Malabar	30-5-35.
23. Samadhanapuram Tenants C.S. ...	... Guntur	"
24. Avanashi Seed Society ...	... Coimbatore	31-5-35.
25. Naduvasal Adi Dravida C.S.	... Trichinopoly	1-5-35
26. Emur F.L.C.S. ...	...	"
27. Pudupalayam Chucklers C.S.	...	"
28. Vengodi C.S. ...	... Malabar	"
29. Vempalli F.L.C.S. ...	... Cuddappah	"
30. Hospet L.C. Union ...	... Bellary	2-5-35

## News and Notes.

The ninth annual conference of the co-operative societies of Trivandrum taluk was held in June last at Trivandrum with Mr. Changanacherry Parameswaran Pillai as President.

\* \* \*

A conference of the co-operators of the Udipi taluk was held in June last at Udipi in South Canara District and it was presided over by Mr. M. Sivarao, President of the South Canara Co-operative Central Bank. A stock taking of the working of the co-operative societies was done and a plan for making dormant societies to work was decided upon. The question of financing standing sugar cane crops was also considered and the Deputy Registrar who was present on the occasion promised to enquire into the possibilities of it.

\* \* \*

The Graduates Co-operative Society, Ltd., Mysore held a public meeting in June last in the hall of the Mysore Co-operative Bank, when the portraits of Mr. N. S. Subbarao, M.A., the first President of the Society, Mr. S. Gopalaswamy, M.A., and the late Mr. K. S. Subbarao, B.A., L.L.B., (the society's first secretaries) were unveiled by Rajamantrapravina S. P. Rajagopalachari. The chairman in his introductory remarks paid a tribute to the Society for having helped the graduates in these days of economic depression and un-employment.

\* \* \*

Sir Frederic Sykes the Ex. Governor of Bombay wrote recently in an article entitled *India's needs* in the *Daily Telegraph* as follows :

Our old policy of non-interference with the customs and habits of the people must be modified. We must start with the social and economic life of the villages, wage a campaign against the inefficiency of rural life, particularly against wasteful and uneconomic methods of agriculture and effect gradual elimination of undersized useless cattle and improvement of insanitary conditions. Villages must be cleared of cactus and other vermin-harbours, water supply improved and stagnant pools drained or treated. Magic lantern lectures, cinemas, gramophone and broadcasting should be developed for mass education, as all these help to raise the standard of living.

\* \* \*

We note with regret the demise of Mr. A. Radhakrishna Iyer last month at Pudukottah. He held important positions in the various departments of the State such as that of the controller of accounts and the Registrar of Co-operative Societies. He was the founder of the Pudukottah Co-operative Central Bank. Even after retiring from service he took a keen interest in the co-operative movement in the State and particularly in the affairs of the Central Co-operative Bank.

\* \* \*

Bombay co-operators entertained Sir M. Ramachandra Rao, when he was recently at Bombay in connection with the meeting of the Directors of the Reserve Bank of India. The learned guest explained to the gathering the working of the Madras Co-operative Land Mortgage Bank. The President of the Bombay Stock Exchange

had a talk with him regarding the Debentures of the Central Land Mortgage Bank being put on the Bombay Share Market. The South Indians of Bombay also congratulated Sir M. Ramachandra Rao on the recent honour of a Knighthood being conferred on him.

The Punjab Government have decided to spend a part of the Government of India's rural uplift grant on fitting up an itinerant cinema and on erecting broadcasting receivers in some forty villages around Delhi. The real aspect of the uplift work will centre round education and the enlightenment of women, as it is believed that through the education of women, uplift could be brought about in a generation or two.

While the schemes of other Local Governments for the expenditure of the special grant for Rural Uplift have been published, that of the Government of Madras has not been allowed to see the light of day. The *Hindu* condemns this attitude of our Local Government and suggests that the scheme should be placed before the Legislative Council for approval. This course is no doubt not required by the conditions of the grant or by law. But it would be a decided advantage to have the backing of the legislature for the scheme, as later on, it may have to be worked with local funds alone for which the vote of the Council is necessary. Perhaps even now it is not too late to do so.

Speaking on rural indebtedness under the auspices of the Nellore Progressive Union Dr. B. V. Narayanaswami Naidu, Professor of Economics, Annamalai University, suggested the appointment of Debt Conciliation Boards, the abolition of compound interest and the fixing of the rate of interest at 9 per cent on secured debts and at 12 per cent on unsecured debts. He also pleaded for the widening of the scope of the Land Mortgage Banks and requested the Government to advance large sums of money to the ryots under the Takkavi Loans Act and the Land Improvement Act. Mr. M. Venkatarangiah, Reader in Economics, Andhra University, who presided on the occasion observed in his concluding remarks that the ryots would not be in a position to repay the loans fully even at a lower rate of interest and that the problem of rural indebtedness could be solved only if the provinces were bold enough to adopt the example of the United States.

The sixth conference of the Co-operators of Kunnathnad was held in the first week of June last at Alwaye under the auspices of the Perumpavoor Co-operative Union and it was presided over by Mr. R. A. Gayathrinatha Iyer, Retired Registrar of Co-operative Societies, Cochin State. Mr. Govinda Pillai, Registrar of Co-operative Societies, Travancore, delivered the opening address in Malayalam in which he observed that propaganda was essential for the success of the movement. He deprecated the policy pursued in several societies in the matter of issuing loans and said that it was greatly responsible for the set back of the movement. Mr. Gayathrinatha Iyer in the course of his presidential address said that the co-operative movement in the West was the outcome of practical necessity. But in India, he observed, the movement was started by Government. He regretted that very few co-operators put into practice the conclusions arrived at the conferences.

## Extracts.

### SPREAD OF CO-OPERATION IN THE WORLD

By PROF. V. TOTOMIANZ, *Sofia, Bulgaria.*

There is much talk lately about the complaints of the merchants and capitalists, who are, it seems, afraid of the growth of the co-operative consumers' societies in the cities. This can be seen first from the statistics which show us that the number of middlemen did nowhere diminish, and secondly from the small percentage of the co-operatisation of commerce; this percentage is for Germany only 3. There are countries, as for example Russia, where about three-fourths of commerce are co-operatised, but there it was due to the help of the State which destroyed private commerce.

It was only in Finland that the co-operative consumers' societies, by natural and slow evolution attained a position whereby the two biggest co-operative wholesale societies have in hand about half the commerce of the country. This has forced the private shop-keepers themselves to organize their purchases co-operatively.

But in Finland itself co-operatisation of agriculture has made more progress, as 80 per cent of the butter production is done by the co-operative creameries.

Co-operatisation has developed not so much in cities, but in the country, where capitalism is not so strong and where dominate men of small property and production. The first place in this respect belongs to Denmark, where more than 90 per cent of butter is made in co-operative creameries. 70 per cent of the meat production and 50 per cent of egg export are co-operatised. 80 per cent of the goods needed for agriculture are purchased through various co-operative societies. The co-operatively produced milk and meat products comprise three fourths of the whole Danish export.

Nearly the whole better production in Ireland is now co-operatised with the help of the Government, who bought the private creameries suffering under the crisis.

In Czechoslovakia all the villages in Bohemia are supplied by electrical co-operative societies with light and power, and also half of the succory production is in the hands of agricultural co-operative societies.

Three per cent of the corn export in Hungary is done co-operatively.

In Italy 25 per cent of the fertilizer production is in the hands of agricultural co-operative societies.

In Holland 50 per cent of the butter and cheese production and 70 per cent of sugar-beet-root production are co-operatised.

## EXTRACTS

In Switzerland 90 per cent of milk products are sold through peasant co-operative organisations. The same organisations supply 32 per cent of fertilizers and 19 per cent of forage.

In Bulgaria 60 per cent of assuuration and 25 per cent of credit is co-operatised.

If we turn our attention to the non-European countries, we have to speak in the first place about the United States of America, where 60 per cent of corn, 60 per cent of tobacco, 40 per cent of fruits and vegetables and 28 per cent of milk products are sold through co-operative societies. Especially in California, nearly the whole commerce in oranges, lemons and apples is co-operatised. Those fruits are sold not only in the U.S.A., but are also exported abroad. There is also a co-operative fruit exchange.

Canada, which produces one third of the whole world's wheat, exports two thirds through her co-operative organisation, which owns silos, railways and ships.

Notwithstanding the above described progress of co-operatisation in the countries, there is still much left to be done to keep the peasant in the villages and so hinder the further growth of large cities, which are the centres of slums, unemployment, discontent and trouble. And this is holding the whole industrial Europe in a revolutionary tension. This is the reason why the pacific influence of co-operation must be strengthened.

*The Indian Co-operative Review.*

## CONSUMERS' CO-OPERATION IN INDIA

BY MR. K. C. RAMAKRISHNAN, M.A.,

*Economics Department University of Madras.*

### **The South Indian's Record.**

It is the South Indian who is said to be more critical than constructive that seems to have a greater reputation for running stores, though their turnover is by no means comparable to that of famous stores abroad. The small States of Cochin and Pudukottah have about 10 stores each with transactions of over a lakh. Travancore has more than a dozen stores, though half the business is done by the one at the capital city, Trivandrum, with sales to the extent of Rs. 1 lakh annually. It has a fine building of its own and a few branches; its guiding spirit was an enthusiastic member of the T. U. C. S. Mysore State has, next to Madras, the largest number of stores and volume of transactions. There are about 90 in all with sales amounting to about Rs. 14 lakhs per year. Several of them have banking as a side-line, while 25 urban banks have stores as a side-line. Sales are effected for credit as well as for cash and some things besides groceries are stocked which are additional attractions that Madras stores do not offer. Mysore City has 3 societies with a membership of about 5,000, while Bangalore City has 7 with a membership of 6,000.\* These two cities are therefore as important as Madras in the total number of members they have each attracted, though the

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\* Y. Srinivasaiya in *The Bombay Co-operative Quarterly*, December 1934.

transactions are smaller. In fact, the Mysore State for its area and population has a greater development of consumers' co-operation than any other province or State in India.

Madras Presidency had in 1933-34 as many as 150 stores but of these 89 were college or school stores selling books and stationery for Rs. 89,000. The stores proper were 61 in number with sales for Rs. 27 lakhs but of these 8 lakhs were of the T. U. C. S., whose sales exceed those of all the stores put together in any other province or State except Mysore. Outside the city of Madras, however, there are only a few stores of any considerable size and these are located in Coimbatore, Madura, Salem and Trichinopoly. In the smaller towns it is no doubt difficult to find a large salaried class of people or others with steady income, prepared to pay cash all through the year. Besides several staple commodities produced in the neighbourhood can be bought at the threshing-floor or at the market place in the season of abundance after harvest. Whether their other requirements call for a co-operative store is perhaps debatable unless a very large number is brought within the fold. Even in the larger towns, the success of stores is said to be not a little due to the large and steady custom of hostels and *devasthanams*. We are not convinced however that a fair trial was ever given and enough propaganda done.

South India has a reputation, such as it is, for organising and managing stores not only in their homeland but also in some of the great cities to which they have migrated in West and North India, e.g., Bombay, Karachi, Delhi, Simla, Nagpur, Calcutta and Rangoon. Here are some tributes paid by Registrars of provinces where South Indian stores have been almost solitary successes. The Registrar of the Punjab in 1933 spoke of the 'Madras Club' in Simla, one of the two successful societies in the province as 'another well-managed and successful society, which deals on a strictly cash basis in a wide variety of household requirements' and added 'the Madrasi is particularly successful with societies of this type.\* Of the South Indian Consumers' Society at Matunga, Bombay, successive Registrars have spoken highly. 'Members are very loyal, there are competent honorary workers on the Committee' (1930). In 1932, the Registrar wrote of the Society ".....run on lines similar to the Triplicane Stores,....owes its success to the vigilance and zeal of the office-bearers."† Success is perhaps partly due to the members being residents in a new suburban colony living in a small and compact area with strong communal ties and not tempted by the *Dhanewala* (provision dealer) who is ubiquitous in the city. It is open to other colonists to make similar attempts.‡

*The Indian Co-operative Review.*

\* Annual Report, The Punjab, 1932-33, P. 44.

† Annual Report, Bombay 1931-32, P. 22.

‡ H. L. Kaji, *Co-operation in Bombay*. P. 205.



# International Co-operative Alliance.

*The following resolution has been recommended by the International Co-operative Alliance for adoption by Co-operators in various countries on 6th July 1935 which is celebrated in many countries as the Thirteenth International Co-operative Day.*

## RESOLUTION.

**(To be adopted at all Demonstrations and Meetings on Co-operative Day.)**

On the Thirteenth International Co-operative Day 100 million consumers of the world, organised in the ranks of the International Co-operative Alliance, re-affirm their unquenchable faith in the Principles which lie at the base of their Movement and constitute its Ideals.

That its ranks should be open to all without hindrance of race, nationality, colour, or creed is the elementary requirement and proof of its genuine character; that its control should be autonomous and its development unfettered, is of the essence of its existence; that it should substitute service to the community for the profit of the individual is at once the keystone of its economic organisation and its crowning virtue.

Co-operators hail with confidence the indisputable superiority of their economic methods, as demonstrated in the manner in which they have withstood the series of crises which have shattered the economic life during the past decade. They declare their conviction that the return of prosperity to mankind can be appreciably hastened, and definitely maintained, by the general application of the Principles of our Co-operative Movement.

Co-operation Universal implies, and imposes, the removal of the many barriers to free intercourse between nations and people which have been set up, especially since the war, with such disastrous effect upon the unity and solidarity of the international family.

The co-operators of the world unite in proclaiming their will for peace, and their demand for its accomplishment as the only reasonable basis of a civilised existence and the well-being of humanity.

## P. C. U. Examination Results.

*List of Candidates who passed in the Co-operative Training Examination held in April, 1935, by the Provincial Co-operative Union, Madras.*

### VELLORE CENTRE.

#### Five Months Course

Regist No.	Name.	Regist No.	Name.
747	Annamalai, V. D.	766	Natarajan, V. B.
748	Badsha, M. A.	769	Poovan, V. M.
749	Balakrishnan, V.	770	Punniamoorthy, D.
750	Balasundaram, T. K.	771	Louis Rajaratnam.
751	Gopalakrishna Moorthy, A	772	Ramanatha Mudaly, K. S.
759	Loganathan, G.	776	Saravanam, A.
760	Loganathan, V. K.	777	Shunmugasundaram, A.
762	Munuswamy, B. C.	781	Subramaniam, S.
763	Munuswamy, M.	784	Sundaram, L.
764	Nagarajai, K	785	Swaminathan, V. K.
		787	Venkateswarlu, T. R.

#### Old Five Months Course.

### RAJAHMUNDY CENTRE.

823 Tarinayya, V.                      Passed in Co-operation only.

### TANJORE CENTRE.

825 Nallaperumal, S.                      Passed in Banking, Book-Keeping and Auditing.

#### Nine Months Course.

(Supplementary Candidates).

### ANANTAPURE CENTRE.

Passed in Part II and Completed.

790 Dakshinamoorthy, H.

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BEZWADA CENTRE.

Passed in Part I and Completed.

Register  
No.

Name.

793 Sobhanachalapati Rao, Y.

COIMBATORE CENTRE.

SECOND CLASS.

795 Nagaraja Rao, S. K.

Passed in Part I and Completed.

796 Ramakutty Menon, V.

798 Subbarathnam, S. S.

RAJAHMUNDRY CENTRE.

SECOND CLASS.

800 Visvanadham, K.

801 Satyanarayana, T.

Passed in Part I and Completed.

802 Suryanarayanamurty, K.

Passed in Part II and Completed

803 Suryanarayanamurti, B. H.

804 Narayanamurty, P.

805 Nagabushanam, K. V.

TANJORE CENTRE.

SECOND CLASS.

809 Muthiah Subbayya Nadar.

Passed in Part I and Completed.

812 Kunchitapadam, N. S.

813 Raghavachari, K.

814 Ramanujam, V.

816 Veeraraghavan, G. S.

817 Vedanta Ramanujachari, K.

VELLORE CENTRE.

Passed in Part I and Completed.

820 Subramanyam, M. V.

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[No. 2

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*The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.*

## Editorial Notes.

### A Noble Example.

Mr. Gogeti Jogiraju Garu, Assistant Director of Agriculture, Vizagapatam, has set a most commendable example in public spirit by constituting a Trust, 'the Gogeti Venkateswara Rao Memorial Trust', with a cash endowment of Rs. 10,000 for carrying on rural reconstruction work in East Godavari district. The trustees are empowered to utilise only the interest on the endowment, and if it ever became necessary to utilise the principal, the sanction of the principal civil court having jurisdiction over the district has to be obtained. The income in the first instance is to be utilised for the pay and allowances of a Pracharaka to work for periods of five years in groups of villages to be selected by the trustees, but the first group to be selected should be near Pithapuram with Kondevaram as its centre—perhaps Mr. Jogiraju's native village. The trustees have been empowered to invest the trust amount in any co-operative society, in addition to the ways permitted by the Trust Act. The original trustees are Messrs. Jogiraju, V. Ramadas Pantulu and N. Satyanarayana. Mr. Jogiraju could not have chosen better co-trustees than these gentlemen, who among the Andhras have acquired

unrivalled position and experience both in co-operation and in rural reconstruction. One of the terms of the trust is that 'the Pracharaka shall not take part in the civil disobedience movement or any other movement contravening the law of the country.' The trust was created on the 27th of May last. At its first meeting Mr. Satyanarayana was appointed as the managing trustee and two public spirited educationists of the district were co-opted as trustees, as permitted by the terms of the trust. A competent graduate in Economics, with experience of rural work, who is willing to devote his whole life for the work, has been appointed as the Pracharaka. With such men as trustees the work of the trust is bound to progress most satisfactorily.

We hope Mr. Jogiraju's noble example will be followed by others. Rural reconstruction is really educational work. Rural reconstruction centres should, therefore, be permanent even like ordinary schools. There is no better way of permanently benefiting one's own village than by providing for a well conducted rural uplift centre. In course of time we may expect the State to provide for these centres out of public revenues, in the same manner as for schools, hospitals etc. Meanwhile to make endowments as Mr. Jogiraju has done is the most practical way of being patriotic.

### The Madras City Co-operative Societies and the Companies Tax.

We referred in the June number of this *Journal* to the recommendation, as it was published at the time in the daily press, of the Select Committee on the Bill to amend the City Municipal Act, regarding the exemption of co-operative societies from the Companies Tax. Now that the report of the Select Committee is published, we give below the paragraph which relates to the subject:

" Clause 62—Section 110. On the subject of taxation, the Select Committee thinks it desirable to exempt from the companies tax not only any co-operative society the exemption of which the Commissioner may recommend as proposed in the Bill but also any society the paid up capital of which is less than Rs. 50,000."

The actual amendment to section 110, as recommended by the Select Committee, consists of the addition of the following proviso to the section:

" Provided that any society, which is registered or deemed to be registered under the Madras Co-operative Societies Act, 1932, and the paid up capital of which is less than fifty thousand

## EDITORIAL NOTES

rupees and any other society registered or deemed to be registered under the same Act which on the recommendation of the Commissioner the council may by resolution exempt . . . from the payment of the tax on companies, shall not be liable to the tax on companies, but such society shall be liable to profession tax."

Thus all co-operative societies with a paid up share capital of less than Rs. 50,000, and any other societies which on the recommendation of the Commissioner are by a resolution of the Corporation exempted from payment of the companies tax, will be required to pay the profession tax instead of the companies tax. We have already urged in our June issue, supported by a well reasoned note by our President, Mr. Ramadas Pantulu, the exemption of all co-operative societies from the operation of Section 110 of the City Municipal Act. We may here add that we see no principle in dividing societies into two classes, according as their paid up share capital is more or less than Rs. 50,000 and bringing one class under section 110 and the other under Section III of the City Municipal Act.

Legal decisions, in this country and in England, on the question whether co-operative societies come under 'companies' or not, have been conflicting. The decision of our High Court given in 1932 in favour of classing them under companies, has created, as we have more than once pointed out in these pages, endless hardship to the smaller societies in the City. Now, when the Legislature is setting right the consequences of that decision, it is better that it brings all co-operative societies under Section 111 and not, as at present proposed, some under Section 110 and others under Section 111.

The societies which have a paid up share capital of Rs. 50,000 and above are only a handful. The total amount payable by them under the companies tax may not amount even to Rs. 1,000 per half year. The contribution of these societies by this tax to the finances of the Corporation will be insignificant. If instead of the companies tax the profession tax is levied on these societies, the Corporation will be able to realise nearly the same amount. And even if there be any loss it will be so small as not to be worth any body's bother. The companies tax is payable on paid up capital, while the profession tax is payable on the net income. Seeing that almost all our bigger co-operative societies are but credit institutions, which unlike manufacturing companies do not make any particular use of the amenities created by the Corporation, the profession tax is undoubtedly

the fairer one to levy. Therefore, we hope that when the clauses of the Bill come up for consideration in the Council our legislators will see that all societies are exempted from the companies tax.

There is another point to which we should like to draw the attention of our legislators. During all these three or four years, ever since the companies tax became leviable as a consequence of the decision of our High Court, the Corporation has mercifully refrained from collecting the tax from the smaller societies by coercive processes. But the amounts payable as tax are shown under liabilities in the accounts of the societies and as dues in the books of the Corporation. If these amounts be collected most of the small societies will have to be wound up. Therefore the Commissioner or some other suitable authority must be empowered to write off these arrears. Under rule 9(2) of Schedule IV of the Madras City Municipal Act, the Commissioner is empowered to exempt any person falling under the ninth class (hotel-keepers, shop-keepers etc., with a monthly income of less than Rs. 100) from the profession tax on ground of poverty. The conferment of similar power in respect of arrears of companies tax due from co-operative societies is obviously what is required. We are thankful to the Select Committee for the help they have given to the small societies, but we should like the legislature to go a little further and avoid an irrational division of the societies into two classes.

### **A Central Housing Society.**

On the 22nd of July last the Registrar of Co-operative Societies, Madras, called a conference of prominent co-operators and of some others, in his office, to consider the proposal to start a central housing society, very much on the lines of the Central Land Mortgage Bank, for the purpose of raising money by means of shares and debentures and financing primary building societies, with a view to promote co-operative house-building, relieve congestion and generally improve housing conditions in towns and cities. A note prepared by the Registrar explained the need for the scheme proposed and its main features, and it was supplemented by an excellent speech by him which we have published elsewhere in this issue. On the motion of Sir M. Ramachandra Rao the conference unanimously welcomed the establishment of a central housing society, and in spite of the unambiguous statement of the Registrar that the Government was not prepared to give any special concessions, the conference urged the

## EDITORIAL NOTES

Government to guarantee or to purchase debentures for a definite sum every year for the next ten years and to give free the services of an investigating staff until the society became self-supporting. We are entirely at one with the conference. Housing societies are exactly in the same position as land mortgage banks in respect of the need for long term loans at a reasonable rate of interest. For the well-being of the people the one kind of institution is as essential as the other. One therefore does not see why the Government which has given special facilities for land mortgage banks should refuse to give them to the proposed central housing society. Moreover, the money which the Government has now lent to building societies directly could surely be made available for the same purpose in a better manner through the central housing society. The indirect benefits flowing from the concessions, such as public confidence, money becoming available at a low rate of interest etc., are more valuable than even the direct benefits. We trust the Government, which undoubtedly is anxious that co-operative housing should develop in this province, will respect the resolution of the conference and treat the proposed central housing society on a par with the Central Land Mortgage Bank, towards which the helpful attitude of our Government has indeed become an example for other provinces and States.

It may interest our readers to know that the first attempt at the formation of a central housing society was made some fifteen years ago by the late Mr. T. V. Seshagiri Aiyar who was then a Judge of the High Court and who always evinced the keenest interest in all social welfare work. Some preliminary meetings were held, the by-laws were drawn up with the help of the Co-operative Department and the scheme was sent up to Government. There, however, it was turned down, probably because the Government wished to adopt the policy of giving direct loans to housing societies. That policy has not been much of a success, as the experience of these fifteen years and more has shown. On the other hand, the policy of indirect assistance through a central organisation, adopted in respect of land mortgage banks, has proved to be quite satisfactory. It is therefore natural that the idea of a central housing society should be revived. We are very glad that it is revived. Not less valuable than financial help will be the advice and guidance it can give to affiliated societies and their members in the matter of lay-outs, plans, types and rates for which, we hope, an expert technical staff will be maintained by



the society. Considerable economics may also be realised by the joint purchase of building materials through the agency of the society. We hope that it will soon come into existence and that it will get from Government all the special facilities which the conference called by the Registrar has asked for it.

### Supervision of Co-operative Societies.

We have published in this issue two articles on the supervision of co-operative societies, which we trust will receive the attention of all those who are concerned with the welfare of rural societies. One of the articles is by Prof. S. K. Yegnanarayana Aiyar, and is based on the report of a committee which recently considered the best way of making the supervision of societies in Bombay Presidency more efficient than it is at present. Mr. Yegnanarayana Aiyar will follow up his present article with one or two more and will treat us to a lucid discussion of the subject. The other article is by Mr. M. S. Narasimha Rao who is a prominent co-operator of Nellore, and contains a wholesale condemnation of the supervising union as it has worked in this province. We are not sure that many would go the whole length with him. He suggests the abolition of the supervising union entirely and the transfer of the function of supervision to the financing bank. We believe this has been tried temporarily in one or two places as an experiment and not found to work very well either for the collection of overdues or for the rectification of societies. We believe the course suggested by Mr. Ramadas Pantulu and referred to by Mr. Narasimha Rao in his article, *viz.*, reducing the number of unions without altogether abolishing them, is the one that will commend itself to most co-operators. But as the subject is one of extreme importance, we invite all experienced co-operators to discuss it in these pages. Our next provincial co-operative conference will be held at Madras in the latter part of September. The question of supervision is bound to engage its attention to a great extent. It will be presided over by Mr. V. L. Mehta of Bombay, who will give us the benefit of the experience of that province. We would therefore urge such of our readers as would like to contribute to the discussion to do so as early as possible.

### Co-operation and Sugarcane Growing.

The *Bihar and Orissa Co-operative Journal* understands that the Government of India have made a sum of Rs. 7 lakhs available, out

of the excise duty on sugar, for distribution among the leading sugarcane producing provinces for organising co-operative societies among sugarcane producers or for taking such other steps as will secure a reasonable price for the cane of the growers; and that the U. P. Government which obtained about Rs. 4 lakhs out of this allotment is going to employ 2 Assistant Registrars, 25 Inspectors and 150 Supervisors for the organisation and administration of a net-work of co-operative societies. The *Journal* pertinently asks the Government of Bihar, which is an equally important sugarcane producing province, what plans it has formed for the expenditure of its share of the allotment. The *Journal* points out that not only has the Bihar Government failed to provide adequate funds for the Co-operative Department from its provincial revenues, but has also been unwilling to spend wholly or largely through that Department the grants made by the Government of India for expressly co-operative schemes such as for the improvement of handloom weaving, sugarcane growing and rural uplift. We wonder if our province has got any grant for sugarcane, and if it has not, the public would very much like to know why. If a grant has been received, we are no less anxious than our Bihar contemporary is to know how our Government has planned to spend it.

### A Worker's Reflections.

The May number of the *Bihar and Orissa Co-operative Journal* has a short article by Mr. L. N. Sahu of the Servants of India Society, containing his reflections on the work of rural reconstruction at Chowdhwar in which he has been engaged during the last seven years and on which the Servants of India Society has spent about Rs. 10,000 during these years. "What has been the result? Has anything fructified? Have my ideas materialised? Have they been effective?" His answer is, "I cannot altogether say, 'No.' But my ambition has not been fulfilled. Much, very much indeed, remains to be done." This answer is applicable to almost all rural reconstruction centres in our country, nay, to co-operative societies generally, and indeed to all social work. There is everywhere a distance between the ideal and the achievement, and that distance is rather great in our country. It will decrease only as our national efficiency increases for which a persistence in rural reconstruction and other social work is necessary. We hope therefore that the various agencies which are carrying on rural uplift work in the country will not expect too much by way of results and will not be easily discouraged, but will continue their good work knowing that the results will be slow in coming.

### Cultivating the Press.

Mr. F. L. Brayne, Commissioner for Rural Reconstruction, Punjab, and the famous author of the Gurgooan Experiment, explained recently to press correspondents at Simla the scheme for

rural uplift which the Punjab Government is working at. He felt that the newspapers could do a great deal to help the scheme by creating interest at the top, so that the necessary financial support may be forthcoming. So far as propaganda in the villages was concerned, he felt that the machinery already in the field could do it adequately. Describing the various items, he said that ventilators to houses were being provided in the villages at the rate of a thousand a day and that 10,000 mosquito curtains woven in the villages had been sold since April last. He made the astounding statement that out of 111 lakhs at present provided for education in the Punjab only half a lakh was spent on girls' education, and he therefore appealed to the press to do propaganda so that the Legislative Council may make an adequate provision for this object. He also pointed out that by adopting an improved method of growing wheat some 4 crores could be added to the wealth of the province, and by properly conserving and applying manure, much of which was now being washed to the sea, another 6 crores could be added. Mr. Brayne's example in actively enlisting the support of the press on the side of propaganda is worthy of being followed by all high placed officials who are entrusted with the duty of carrying out welfare schemes. .

### The Late Mr. G. W. Russell.

Ireland and to some extent all the English knowing part of the world are much the poorer for the death of G. W. Russell, who was one of the gifted co-workers of Sir Horace Plunkett in building up the co-operative movement in Ireland and a well-known poet and editor. Ireland was being drained of its most valuable asset, namely, its able young men and women, by emigration to America. Sir Horace Plunkett and his fellow-workers stopped this national drain by conceiving, preaching and executing a programme of economic regeneration of Ireland by means of co-operative societies, which was well expressed by the formula "better farming, better business, better life." In popularising this programme the *Irish Homestead* a weekly edited by Russell, played a most conspicuous part. Indeed, not only to Irishmen but to many in India, it was a source of inspiration and of instruction in sound rural philosophy. Russell wrote also two inspiring books, "Co-operation and Nationality" and "The National Being," which occupy a unique place in co-operative literature. Under the pen name "A.E." Russell was a well-known poet and writer in the cause of Irish renaissance. He took a deep interest in Indian philosophy.

## Supervision in Bombay—I

BY PROF. S. K. YEGNANARAYANA AIYAR, M.A.

The economic depression which has been world-wide has affected our sister province of Bombay more than other provinces in India inasmuch as she has been depending upon trade and industries,—two departments that have suffered most. Therefore, the Bombay Government was forced to devise ways and means to make both ends meet and every item of expenditure scrutinised with a view to explore the possibilities of retrenchment and one of the recommendations of the Committee entrusted with the work of finding out possible ways of retrenchment, called the Tomas Committee, was that the system of co-operative supervision might be overhauled, that the present system of supervision by non-official supervisors might be done away with and that the Government might take up this responsibility, in which case, not only, according to the committee, will the work be done more efficiently, but there will be some saving to the Government as well.

This proposal to do away with non-official supervisors was considered to be too revolutionary and the non-officials of the Province naturally protested. A Round Table Conference was held and a small committee was appointed to discuss the question of supervision of co-operative societies in the province. And we take up for our study in this short article the recommendations of the Committee. We shall, if circumstances permit, discuss the history of supervision in our own province and examine in another article the light which we can throw with our experience on the problems that confront our brothers in Bombay.

The report may be broadly divided into four sections. The first section deals with the history of supervision, its origin and growth to its present condition. The second section deals with the machinery that is now working in the matter of co-operative supervision. The third section consists of recommendations by the majority of the Committee. The fourth section is the minority report which, though not separated, is yet a minority report by Prof. Kale and Mr. V. L. Mehta of the Provincial Bank, Bombay. We shall take up these sections one after the other.

Our brother co-operators in Bombay started in the matter of supervision as co-operators did in other parts of India, that is,

depending upon Government officers for everything connected with co-operation—organisation, registration, supervision, inspections audit. They were helped by honorary organisers, but the brunt of the work fell upon the Government officers. In 1912 certain district banks were converted into Banking Unions with powers of supervision over constituent co-operative societies, and in 1915 a new type of institution known as the guaranteeing union, based on the Burma model, was created. But in course of time the guaranteeing unions fell far short of the expectations and hence either they were converted into supervising unions or were dissolved and fresh supervising unions were started in 1922.

The supervising agencies functioning at present are the supervising unions, 101 in number with about 2,800 societies affiliated to them, whose evolution we have traced above, and the Banking Union at Ahmedabad with 60 societies affiliated to it. Over and above these there are Taluka Development Associations in charge of about 250 societies and a special officer looking after 93 hill-tribes societies organised exclusively for their benefit.

The fundamental objection taken to supervision being entrusted to Government officers under the Registrar is that final audit is a statutory duty of the Registrar and the integrity of the statutory audit is of paramount importance to the movement and that a combination of audit and supervision is likely to detract from its efficiency. Thus, the proposition of entrusting supervision to Government officers is ruled out in the opinion of the Committee. They discuss the possibility of Taluka Development Boards taking up this. After examining the working of the few existing Taluka Associations in charge of co-operative societies, they came to the conclusion that Taluka Development Associations should give up this activity and concentrate on agricultural development only and that supervision should be entrusted to supervising unions only. On the theory that supervision by a creditor is never likely to be satisfactory, they are not in favour of the existing system obtaining at Ahmedabad of central bank taking up supervision also of affiliated societies, and requiring its officers to do both inspection and supervision. They therefore came to the conclusion that supervising unions constituted the only efficient agency for this kind of work and recommend certain changes in their constitution and powers with a view to make their work more efficient.

In the first place they recommend the pooling of all union funds in the district and placing all supervisors in a district cadre under the control of the district supervising board. Secondly the Committee are of opinion that agricultural non-credit societies, except in cases where their work is much specialised and requires special agency for supervision, may be affiliated to the supervising unions. Similarly, they recommend the inclusion of non-agricultural credit societies in rural and semi rural areas. The inclusion of these societies is expected to reduce the deficit of unions in backward and undeveloped tracts and also to provide business talent in their management. They recommend certain changes in the constitution and powers of supervising unions for example, the power of appointing, punishing, transferring or dismissing secretaries in charge of a group of societies, subject to the approval of the district board. They further suggest that the period of suspension of a committee of management or any member of such committee, which is now 3 months, must be extended up to 12 months and instead of the Registrar's approval, that of the district board should be deemed sufficient. All this constitutes merely making the existing machinery more efficient.

They recommend the formation of district boards of supervising unions and of a provincial board as the coping stone of this structure. Though in some places there are such boards, they have not got a well defined constitution nor are their powers ample for efficient discharge of their work. They suggest a sufficiently representative constitution for the district board wherein provision is made for the co-option of a co-operator of outstanding merit from the district. To start with they suggest the Assistant Registrar should be the Ex-officio Chairman of the Board for the first three years after which, "the position may be reviewed to ascertain whether a change in this respect is feasible or advisable." They also recommend that these boards should be separately registered under the Co-operative Societies Act and should be armed with the power to suspend the committees of supervising unions if the orders of the board are not carried out by the unions. They recommend that the board should meet at least once a quarter or oftener if necessary. With regard to the Provincial Board they do not suggest any detailed constitution, as sufficient experience is not available but leave it to be evolved in the future. The chief function of this Provincial Board would be to hear appeals wherever admissible against the orders of the district boards. This board will be entrusted with the main task of seeing that the system of supervision works efficiently and that the district boards are functioning properly. The Registrar would be the convener of this Board and the Chairman of the Provincial Bank and the President or Vice-President of the Institute would be its members.

Prof. Kale, Vice-President of the Bombay Provincial Co-operative Institute, and Mr. V. L. Mehta of the Provincial Bank, also a

Member of the Institute, agree in the main to the need for more efficient supervision, but they object to the fresh recommendations of the Majority, namely, the formation of separate district boards of supervision and of the Provincial Board. They are of opinion that the district branches of the Institute might be utilised for this purpose, and that the creation of a separate institution will not only duplicate the machinery but might have the effect of weakening the hold which the Institute has over the popular mind. In the opinion of these eminent co-operators the proposed scheme is "retrograde, undemocratic and unco-operative, violating the commonly accepted principle of non-official co-operative organisation in the presidency without there being any need of departure from the old sound policy". On the same principle they object to the setting up of a Provincial Board and would recommend a special committee, if necessary, of the Provincial Institute to look after the functions proposed to be entrusted to the Provincial Board of Supervision.

As the machinery they have suggested, barring the Provincial Board, is similar to the one which till recently we had in this presidency and which in recent times has been scrapped, we shall try to elucidate in another article the history of federations in our province which is bound to throw some light upon the new scheme as contemplated by our brothers in Bombay.

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## Co-operative Supervising Unions in Madras

BY M. S. NARASIMHA RAU, B.A., B.L.,

“For various reasons, most of the local co-operative supervising unions have not fulfilled the objects for which they have been started.” So has stated Mr. T. Austin, I. C. S., the present Registrar of Co-operative Societies, in his administration report for the year 1933-1934. As one who believes that the above statement is based on a correct appreciation of facts, I shall attempt in this article to support the efforts of those who are striving to abolish these unions altogether. With that object in view, I shall discuss below how these unions came into existence, how and why they have failed, and what remedies may be adopted.

The unions owe their origin entirely to the Government. With the rapid growth of societies, the Government felt that their own staff was too inadequate to undertake the task of supervision. It was for a time thought that the Co-operative Banking Unions started in some districts, might in addition to financing the societies, also perform the function of supervision and control over the working of the societies affiliated to them. But it was objected that it was not desirable that a financing bank should have anything to do with supervision. It was said that a financier would have his eye exclusively on finance, and would neglect the co-operative side of the work. The Government therefore started the Supervising Unions.

We have next to see what the Government expected these Supervising Unions to do. It was recognised that almost all the rural societies were composed of uneducated members unacquainted with the principles of Co-operation and finance, and that therefore there were no competent persons to deal with cash, and work the complicated economics relating to the relief of rural indebtedness. There was a fear that in the handling of money, these unlettered men might yield to temptations. It is to teach these societies the principles of Co-operation, rural economy and thrift, to guide them in the matter of considering loan applications and recommending them to the financing bank for the granting of loans in appropriate cases, to see to the proper application of money advanced by the financier, to assist the societies in the matter of recovering loans, to keep watch over the repayments made to the



financing bank, and prevent any make shifts or book adjustments, to help societies to be efficient and rectify defects in societies pointed out by auditors, to organise new societies, and to be responsible for the co operative development of the area assigned to them—it is these noble objects that the Government hoped the Unions would fulfil. In fact the Government believed that these Unions would pave the way for replacing Government control by non-official control, and that the Unions would ultimately take the place of the Government in acting as the “ friend, guide, and philosopher ” to the Co-operative Movement in rural areas. In registering the first Union in 1910, the then Registrar observed that the “ ultimate advantage would be that when the Unions functioned, the State may withdraw from the work of supervision ”. The Unions were therefore started with the best of motives, and very wide powers of self-government were conferred on them.

On the question whether the Unions fulfilled the objects for which they were started, it can be said that there is now a fair concensus of opinion that they have miserably failed. The officials and non-officials agree in this view.

One must say that the Government made every honest attempt to back up these Unions, before they were compelled to pronounce that the Unions had failed. Up to 1925, in successive administration reports, the Registrars repeatedly expressed hopes that the Unions would bear rich fruits. In 1925-26, Government even withdrew supervision over societies and handed it over to the Unions, only retaining very general control in their hands. The result of this policy was that a very strong outcry was raised against the way the Unions exercised their powers of supervision. Mr. Hood, the then Registrar, had to admit that “ it does not appear that the Supervising Unions on whom rests the responsibility for the upkeep of the Unions have generally made any serious attempt to check the increasing overdue, in spite of the advice tendered ”. He also added “ If this tendency is allowed to go unchecked, it might lead to *financial chaos* ” When people complained that the Government had suddenly dropped supervision in favour of the Unions, Mr. Hood recognised the justice of the complaints, and in his administration report for the year 1927-28, stated that “ there is no room for doubt that this delegation of supervision on non-official bodies proceeded at too rapid a rate ” and “ that the Supervising Unions were unable to fill the gap and satisfy full

requirements". In 1928-29, Mr. Hood tried the experiment of setting Government Inspectors to attend to collection work in societies. Though only bad societies were taken up by the Government the results proved to be very satisfactory. But the position of the Unions did not improve. The fall continued to be steady. In 1928-29, Mr. Hood expressed himself strongly when he stated that "the test and justification of every organisation is if and how far it justifies the purpose for which the co-operative credit movement was started". He significantly added "you cannot create an *oligarchy of the rich*, for giving the benefit of self-government to the movement". In the opinion of Mr. Hood, these Unions have only led to "multiplication of travelling allowances for bogus journeys, thus adding to the interest payable by the ryots". The Government sincerely desired to confer self-government on the Unions, but found the experiment was too premature. The Townsend Committee tried to explain away the position by saying that the reason for the bad working of the Unions was want of funds. Mr. V. Ramadas Pantulu in his dissenting minute had to say that this was not the sole cause. It is doubtful if this was ever a cause. Anyhow for the sake of prestige, the Government decided to do something to make these falling Unions stand. They introduced Federations with the object of co-ordinating the working of the Unions, and said that the Federations would rectify all the defects under which Unions suffered. But within a year or two, the Registrar Mr. Strathie had to admit that "it was never desirable to create these Federations". The Federations were in due course liquidated. The Government wanted on the one hand to prop up these Unions and on the other to discourage any attempt on the part of the financing banks to associate themselves with the work of supervision. This double edged policy was a failure, and we have the last utterance of Mr. Austin to the effect that the Unions have not fulfilled the objects for which they were started.

It is not only the official that pronounces the Unions a failure. Mr. V. Ramadas Pantulu, who is one of the accredited leaders of the Co-operative Movement, had to complain in the Bandar conference that "in most areas, supervision is in the hands of men who are utterly incompetent and often unreliable, and it is no wonder if societies entrusted to the care of such men have deteriorated, in some cases beyond the possibility of reclamation". A co-operator has expressed recently in the columns of the '*Hindu*' the view that the

Unions have failed. More recently Mr. N. Satyanarayana of Alamuru has expressed the view that the co-operative credit movement in this Presidency did not work well. Thus it can be said that the non-official estimate is not more favourable than the official estimate.

Let us ask ourselves why it is considered that the Unions are a failure.

For one thing the Unions have from the beginning neglected the educational side of their activity, with the result that the systematic inspection of the societies affiliated to them has been frequently omitted. Rectification work is in most cases nil. The guide, philosopher and friend aspect is conspicuous by its absence. It is not difficult to prove that the position is as stated above. It is twenty five years since the Unions were started. Let us ask how many societies are able to prepare their own annual statements and how many are able to prepare at least their own loan applications. The answer must be that such societies are very few.

Secondly it may be seen that in most cases, far from supervising the work of the societies, the Unions have lent themselves to be used as instruments for screening the several irregularities and frauds that are committed in societies. It is only the rich and influential persons in societies who succeed in getting returned as Governing Body members of the Unions. In several cases these Governing Body members are the worst defaulters in the societies of which they are members. They are therefore naturally reluctant to take action against the societies in which they are members, and against defaulters in other societies. They use their influence and get plenty of unreasonable extensions and benefit of book adjustments, for themselves and for their friends and relatives. Frequently they are obliged to do the same service to members in other societies, for fear that the latter might expose the irregularities committed in their own societies. If one examines the loans issued by societies which have returned members to the Union, in most cases it will be found that a large percentage of the total amount of loans disbursed was secured by the rich panchyatdars, some in their own names and some in the names of their friends, relations and dependents. I can cite instances in which poor innocent people are made catspaw and have suffered for the debts which really these big men owed, but which nominally and unfortunately were made to stand in the names of these innocents. When these big men shirked or died or became insolvents, these *binamidars* lost their all for satisfying debts of which they really did not enjoy even a pie.

In the matter of guiding the loan policy of the societies, there was any amount of nepotism. Loans were recommended to persons, not because they deserved them, but because they would be useful when need arose, either when they stood as candidates in elections, or when they needed support in the matter of their own loans.

It must be said that these Unions have rendered very little help to the financing banks in the matter of assessing the credit of societies' members. It is an open secret that the property statements supposed to be checked by the Unions are mere mechanical reproductions of oral statements made by the members themselves, and are of no value whatsoever. In some cases statements are prepared from mere imagination, and not even on the basis of the statements made by the members. As Mr. Strathie remarked in his University Extension lecture in 1933, "in the majority of cases, these property statements are not worth the paper on which they are written."

In the matter of assisting the societies in making collections of dues, the Unions have showed a woeful lack of responsibility. From the beginning successive Registrars have complained in their administration reports, that the collection work has been neglected, with the result that there have accumulated large overdues in many societies. The position was the same, whether it was the booming period of high prices and the agriculturist had ample money in his hands, or whether it is the present period when the prices of food-stuffs are low and the agriculturist is suffering for want of money.

It is an open secret that misappropriations are rampant in several societies, and particularly so in several cases in societies which returned members to the Unions. For one case which has reached a criminal court, there are several cases which are adjusted privately after detection. The Unions are not able to check this tendency. It is the Government Inspector who does the painful duty of detecting these frauds, and who gets them settled or reports them to the Police and the Magistracy.

Vast sums of money are being expended year after year for the upkeep of these Unions, which could have been better utilised for reducing the interest payable by the principal borrower. In their anxiety to keep these Unions above water, the Government on the recommendation of the Townsend Committee, allowed the supervision fund to be drawn from the primary societies and the financing bank, not on basis of income actually realised, but on the basis of earned or

book income, and further directed that the supervision fund should be a first charge on the loan transactions of the financing bank. Even this supervision fund and the affiliation and delegation fees which are the normal sources of income for the Unions, were found to be insufficient. The financing banks were asked to make supplementary advances every year. These advances could never be recovered. We have the sorry spectacle of these financing banks writing off once in three years the advances which they made. The Government too on their part contributed funds for the upkeep of the Unions. When the Government introduced Federations for setting Unions right, they contributed subsidies for the expenditure necessary. For all these huge funds spent, we are not getting a proper return. As Mr. Strathie remarked in his administration report for 1930-31, "it must be admitted that the movement is not at present getting full value for the large sums spent by unions—Rs. 7.72 Lakhs, and the large staff of supervisors—607 supervisors."

No doubt to a certain extent the failure of the Unions has to be attributed to a defective constitution. The Government having created these Unions and expected them to discharge the functions which the Registrar and his staff were performing before, have not made suitable provision to ensure steady supply to the Governing Body of Unions of independent persons with sufficient knowledge and time at their disposal to do real propaganda work. In filling the Unions with delegates returned by the agricultural societies themselves, the same set of persons in the societies for whose education and uplift these Unions were started became the guiding spirits of the Unions, and as they themselves needed instruction in co-operative matters, they could not be expected to give instruction to societies affiliated to them. Secondly the constitution framed for the Unions was not such as to impress responsibility on the work of the Union directors. Union directors are given rights without any obligations attached to them. They could recommend loans to be granted to the societies, but there is no sanction provided against making a *mala fide* recommendation. Looking at the constitution of the financing banks, it will be further seen that the representatives of the Unions form the majority in the Board of Management. The result is that the Union directors who, as such, are not saddled with responsibility, control the affiliated societies on the one hand, and the financing banks on the other. As Union directors, they recommend loans, and as bank directors they sanction them. They thus

concentrate in themselves the functions of both jury and judge. Whether in recommending loans or in sanctioning them, they stand in an enviable position of aloofness, with power to freely deal with money not their own. Such a constitution is not one which conduces to proper and responsible work on the part of the Unions.

It may be suggested that the constitution of the Unions may be changed, and that they may be continued after making suitable changes. But I am afraid that any change by way of attaching responsibility to the actions of the Union directors will not assist the Unions to discharge the functions for which they were created. The system of Guaranteeing Unions, in which all the affiliated societies are made jointly and severally liable for all the loans sanctioned on the recommendation of the Unions, has been tried on a vast scale in the province of Burma, and we have the pronouncement of a very eminent committee presided over by Mr. Calvert, the Punjab Registrar, to the effect that these Unions were a colossal failure. Even in Madras, the earliest Unions formed were not only Supervising Unions but Guaranteeing Unions as well. But this constitution was subjected to severe criticism, and the Government also found the Guaranteeing Unions unworkable, and so abandoned them, and introduced these Supervising Unions instead. It therefore follows that, whether with responsibility or without it, the Unions are incapable of doing any good work, and that there is no way of solving the problem except by totally putting an end to the Unions.

I may also add that the existence of the Unions has given rise to very undesirable consequences. The organisation of the Supervising Unions has as in the case of Guaranteeing Unions in Burma led to relaxation of individual effort on the part of affiliated societies. The general body of co-operators in the village took little or no part in the activities of the Union. They lost touch with the Co-operative Movement, and lost the initiative to learn and apply co-operative principles in their business. They always relied on an outside agency such as the Union or the Government to put them in the way. The whole Co-operative Movement became concentrated in a few persons, namely, the Union directors, and they began to utilise it for their own purposes. The Union directors in the majority of cases made a pretence of touring and inspection in their respective areas, but never actually did any real work. The vast funds entrusted to the Unions, they divided amongst themselves for their travelling allowances and for the salaries of their supervisors, in appointing whom they exercised

patronage. In several cases the supervisors controlled the directors, when, as is commonly the case, the directors happened to be ignorant of the work which they were expected to do. In cases where the directors themselves were defaulters, the supervisors were prevented from exposing the defects of their masters and their masters' friends and dependents. Another bad consequence is that the Unions became so much fed with power, that they became very restive and impatient whenever there was any advice offered or control exercised from an outside quarter such as the financing bank or the Government. It is a matter of common knowledge among co-operators that when proposals were made for the centralisation of Union staff and Union finance, and the pooling of the supervision fund, the Unions in a body opposed the proposal. They said that if this was done, they would be deprived of their power of appointing their supervisors, and would thus lose their 'independence', as if, as Mr. Strathie remarked, "they (Union directors) sought and retained the office for the patronage they secured". Mr. Strathie pertinently asked, when he, a Registrar of a Presidency, could not appoint his own routine clerk, but must leave the question of appointment to an outside agency, namely, the Public Services Commission, why the rural Unions should be so sensitive in the matter of giving up the power to appoint their supervisors? Above all these, all the acrimony of a political fight was imported into the elections to the Unions. As Mr. V. Ramadas Pantulu remarked, in his address at the Bandar conference, "all the worst influences of local faction and favouritism have had their unbridled play in the choice of men on whose honesty and efficiency the destiny of the movement largely depends".

It is high time that these Unions must go. They are at present mere post offices and chanfiels of communication. Their abolition would bring a vast body of rural co-operators into the active side of the movement. The huge funds saved by abolishing the Unions might be used by way of reducing interest on loans, and thus giving relief to the poor. It is gratifying to learn that recently the Kumbakonam Central Bank proposed the entire abolition of all Unions.

The abolition of Unions is the remedy which I press most. But we have to consider in this connection the remedy suggested by our veteran co-operator Mr. V. Ramadas Pantulu. His suggestion is that the number of Unions might be reduced by about 50 per cent, that the smaller Unions might be merged in the bigger unions, that

the number of directors in Unions might be reduced, and that the financing bank might have control over supervision of the societies, and have in their own hands the appointment of supervisors for Unions. The suggestion in so far as it relates to giving the financing banks the real control over societies is one that should commend itself to all including the Government. The theory that was for a long time held by the Government to the effect that a financing bank with its eye on finance should have no concern with supervision has been exploded by Mr. Strathie. But with all respect to Mr. Ramadas Pantulu, I submit that his proposal to continue the Unions, though with powers curtailed, is neither desirable nor practical. Much has already been said on the question of desirability, and nothing more need be stated. The continuance of Unions will only mean further waste of funds which is not at all justified. Added to that, I fear that if Unions continue with less powers, there may be constant bickering and unfortunate conflicts between the Unions and the financing bank on the question of supervision over societies. With financing banks having the real control over societies, the Unions would be reduced to mere figure-heads. The Unions would chafe under the scheme which deprives them of their power to appoint their supervisors. I consider that if Mr. Ramadas Pantulu's scheme is to given effect to, the directors of future unions would have to be prepared to keep their self-respect in their pockets. This will only lead to trouble and disruption. It looks as if Mr. Ramadas really is for the abolition of the Unions, but fearing that such a step might be too revolutionary, he suggested a middle course. There does not seem to be any other alternative than to scrap the Unions altogether out of existence.

The abolition of Unions as supervising bodies carries with it two other questions of primary importance. The first question is that the constitution of the financing banks which is now constituted with delegates returned by Unions has to be changed. Secondly, a more satisfactory scheme than the one prevailing at present has to be devised for ensuring proper supervision over societies.

With regard to the first question, I would suggest that the future Board of Management of a financing bank might consist of an equal number of delegates returned directly from societies, and an equal number of individual shareholders elected directly from among individual shareholders. The Deputy Registrar may be an ex-officio member of the Board of Management. Two persons with co-operative



experience to their credit may be co-opted on to the Board by the elected members of the Board. The whole Board may consist of not more than twenty-five members. Groups of societies may be formed to return their quota of representatives to the Board, each group sending one representative. Only those who are not defaulters (those to whom extensions are given are to be included among defaulters) should be returned as delegates.

As regards the second question, I humbly submit that the present system of recruitment to the administrative sections of the financing bank requires thorough overhauling. Group supervisors or Inspectors should be recruited from among persons who have passed a Government test and are competent to hold the office. The appointment of the central executive officer should be made by the financing bank, but the man selected should have better qualifications than that required for a supervisor. In the initial stages, I would prefer the borrowing of the services of a Senior Government Inspector for the post of an executive officer. Concurrently with the financing bank who should be the immediate head of the supervision department, it is in my opinion highly desirable and beneficial that the Government through the Deputy Registrar should possess general control over the supervision work. Such a scheme might yield good results.

One need not look askance at the proposal to associate an official element with the management of the financing bank and of the supervision department. The co-operative movement owes its origin to the Government, and in this branch of administration, there is no conflict of interests between the officials and the non-officials. The association of the official would give strength and stability.

I commend the above suggestions to the consideration of my brother co-operators and the Government.

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## Central Co-operative Building Society.

The following is the speech delivered by Mr. T. Austin, I.C.S., Registrar of Co-operative Societies, Madras, in connection with the opening of the Conference held in July last for the starting of a Central Co-operative Building Society at Madras.

The question of financing the construction of houses in important towns in the Presidency and in thus helping to remove congestion and to provide decent dwelling accommodation for the middle classes came up before Government and the Registrars from time to time. Though the Local Government at first felt that Municipalities and Local Bodies should finance building societies formed for town extensions, Government, however, agreed in 1923 to a scheme of Co-operative Building societies formulated by the Registrar and from that time onwards have been advancing loans to the societies formed in all important urban centres in the Province. During the last 12 years, the Madras Government have advanced to Co-operative Building Societies nearly Rs 40 lakhs and on the 30th March 1935 about Rs. 17 lakhs were outstanding against them. It is because neither the public nor local bodies were ready to undertake financing housing schemes that Government came forward and showed the way. During the last 12 years the Government have done their best to help the middle class people in the construction of houses by giving loans, by arranging the inspection of houses by the Public Works Department and generally by giving other concessions which are enjoyed by co-operative societies. It is now time, in my opinion, that the non-official public should think of taking over this business for more than one reason.

### *The Scope for private Enterprise.*

Firstly, the problem of housing has in the last few years been assuming an importance which it did not have before owing to certain economic and social forces. The figures of the last census have shown a considerable increase in the population of the country. Side by side with the increase there has been a migration of the people from villages to urban areas. The result is that there has been over-crowding in cities and other important urban centres. There have been also several town-planning and extension schemes set on foot by Municipalities and Local Bodies, Moreover, the public are

now realising the need for the modernisation of houses, and for the construction on up-to-date sanitary and healthy lines. Finally, the desire to own a house rather than to be at the tender mercies of a landlord is now more marked than in the past. The operation of these several factors makes the problem of housing in the immediate future a very important one. It seems to me, therefore, that we should work out a suitable plan of attack on the problem and the proposed Central Co-operative Building Society would seem to offer assistance in this direction.

Secondly, in European countries particularly, since the Great War, housing schemes are being carried on mostly through private enterprise. Local authorities, public utility societies and private builders undertake this work. When there is a large scope for private effort and initiative in this particular branch of social and economic activity, it seems to me unnecessary for Government alone to be relied on for financing housing schemes. Moreover, there is a limit up to which Government can give loans. For various reasons the amount of loans advanced by the Local Government during the last four years has considerably decreased. It is impossible to expect Government to continue to make available every year large sums of money for the construction of houses in proportion to the demand in the country. If by non-official effort a separate Central institution can be organised, enough funds may be provided to raise housing schemes on a co-operative basis to meet the increasing demand.

Thirdly, the time appears to be propitious for the starting of a society of the kind that we now contemplate. Plenty of money is available in the country and is awaiting investment. Owing to the depression and the difficulty of recovery of advances made, there is a contraction in private money-lending and the people seem to prefer the safety of their investment to a higher rate of interest. Money can be raised at a cheaper rate of interest. The Central Building Society, when formed, will be a safe institution in which the public can invest for an urgent social need. While on the one hand it gives an opportunity to the people to invest, on the other, it can make the moneys placed at its disposal available for financing co-operative housing schemes in the Presidency and in thus helping the middle class people to own houses.

Fourthly, the general public have been so far keeping aloof from the financing of the construction of houses. I think it will be

## CENTRAL CO-OPERATIVE BUILDING SOCIETY

a good step forward if consistently with the co-operative principles of self-help and mutual help the people organise themselves for the financing of housing schemes in the Presidency. There is a great scope for non-official initiative and management in an institution like this. There are in our midst men of business experience, merchants, lawyers, zamindars and money-lenders whose resources may be pooled together and utilised for this great economic and social service.

### *Co-ordination of Work.*

Fifthly, the primary co-operative building societies functioning in the mofussil have at present no means of mutual consultation in matters of plans or estimates or methods of construction of houses for their members ; they work in separate units. In recent years the methods of construction and town planning have made a rapid advance and a Central Society of the kind now proposed will ensure some sort of co-ordination of work of these primary building societies and will be in a better position to give them expert advice in drawing up plans and estimates and generally in helping the members to build houses on up-to-date lines and at a minimum cost.

I may now touch upon the financial aspect of the matter. As you will have gathered from the printed note circulated, it is intended to raise funds for financing the construction of houses mainly by share capital subscriptions and debentures. It is thought that both individuals and primary building societies in the presidency may put in an initial share capital of a lakh or two. If this be done, this amount will be lent out to members of affiliated primary societies and their houses will be assigned to the Central Building Society to this extent and this will form the security for the issue of the first series of debentures. The amount so raised through the flotation of the first series will again be utilised towards loans to members and fresh houses will be got assigned to the Central Building Society. These houses will constitute the security on which the second series of debentures will be floated. Thus funds will be raised from time to time and in the first few years the progress will be slow, but with the increase in share capital, the business of the society will be increased and its transactions will develop more rapidly. The debentures will be floated for a period not exceeding 25 years and at a rate of interest not exceeding 5 per cent according to money market conditions. The proposal is not without its parallel in European countries. In Sweden "the Swedish Housing Loan

Fund " borrows the necessary capital by the issue of debentures. In Denmark, the " State Housing Fund " issues certificates to the borrowers and in reality they do not receive the nominal amount of the loan but a sum proportionate to the value quoted on the stock exchange for the certificates issued by the fund. In Italy, the " Autonomous Building Credit Section " is permitted to issue " Building bonds. " In Poland, capital for financing housing schemes is raised by the issue of " building credit bills " and " building bonds. "

But I must make it clear here that the Local Government do not propose to give any guarantee for the debentures to be floated by the proposed Central Building Society. Nor is this, in my opinion, necessary. The debentures will have the three essential features of sound investment, viz., safety, remunerative return on the capital invested and easy of realisation. The money realised through flotation of debentures will be secured by first mortgages of house property in important urban areas and cities, where houses have readily saleable values. There is no question of depression of prices through forced sale of houses. Firstly, advances are made in instalments to members, as progress is made in the construction of houses to the satisfaction of the society and there is, therefore, no possibility of misapplication of the loans given. Secondly, the advance is made only up to 80 per cent of the estimated value of the building, the remaining 20 per cent being contributed from out of the members' own resources. Thirdly, the loan is recovered regularly in monthly instalments and thus the amount of loan is gradually reduced. These factors ensure the safety of the advances made to members and even in the event of a forced sale of a house for failure to repay the amount, there is practically no possibility of loss arising on this account. The fact that the operations of this society will be confined to a single purpose will itself be a guarantee of its stability, that is to say, it will not undertake any speculative business nor will it advance loans on any security other than first mortgages of house property. Again, the investors will have proper return either on the share capital invested or on the debentures taken. Lastly, the debentures can easily be transferred or sold in the money market and there will be no difficulty to raise money in times of need. There are also other factors which ensure the protection of the interests of investors, viz., the periodical Government audit, the statutory provision of reserve fund and general supervision and control by responsible officers of the department.

## Conferences.

### COCHIN CO-OPERATIVE CONFERENCE.

A conference of the co-operators of Cochin was held on the 25th and 26th June last at the Y. M. C. A. buildings at Kunnankulam in the Cochin State. It was presided over by Sir R. K. Shanmukham Chetty, the Dewan of Cochin State. Mr. K. Narayana Menon, M.A., CH. D., Officiating Registrar, welcomed the delegates.

Mr. Narayana Menon in the course of his welcome address observed that the State had about 250 societies with a membership of more than 25,000 and a working capital of more than Rs. 25 lakhs. The utilisation of short-term loans for long term purposes, he said, had made repayment very difficult and the corruption and mismanagement of committees in many societies made the position highly deplorable. There were some societies which were anything but co-operative and did joint-stock business under the protection of the Regulation. Such societies were not affiliated to the local Union, the Central Bank or the Central Institute but were independent entities which were in no way useful to the movement. Speaking of remedial measures, he said:

Among the economic and social services that co-operative societies can perform will be to educate rural public opinion in a practical manner so as to secure the avoidance of debt, the practice of thrift, the collection of savings for lean years, the proper utilisation of the leisure of adult men and women, the prevention of fragmentation of holdings, the scientific use of farm manures, the provision of capital on a fair basis, the marketing of village produce, the supply of village requisites, the organisation of transport, the protection of crops from pests and diseases, the introduction of improved methods and implements, the breeding of healthy live-stock and a thousand and one activities that go to the making of a renascent agriculture.

He finally suggested the introduction of certain schemes for the industrialisation of the State, particularly the development of cottage industries, for village reconstruction and for the removal of the age-long debt of the ryots by the establishment of a Central Land Mortgage Bank. He then requested the President to deliver his address of which the following is a summary.

#### *A True Picture.*

The co-operative movement was started in Southern India nearly 30 years ago and the time had now come for them to pause for a while and look back on their past achievements before proceeding further. He had the privilege of attending several conferences of the kind in the Madras

Presidency and he found that there was a tendency sometimes to ignore the dark side of the movement, with a view to avoid criticism. He was glad that their Registrar had in his welcome address presented the movement as it was in Cochin in its real colours, without mincing matters, even as regards the gloomy side. He had referred at length to the several difficulties they had to face and overcome and the corruption and malpractices that had resulted even in the closing down of societies. He had, however, concluded his address with a note of cheery optimism and there was no doubt that, as a result of the deliberations of conferences like theirs, the difficulties encountered would be successfully overcome.

Co-operators must realise, he said, the wider and fuller implications of the movement. During the last 30 years, co-operation had been practically confined to one side of activity only, viz., the credit side. The extension of the principles of the co-operative movement to non-credit activities and the application of the principle to rural and economic life were equally, if not more, important. In an agricultural country like India where the average ryot was oppressed by chronic indebtedness, it was no wonder that the credit side of co-operation alone came to be developed first. It was unfortunate that other kinds of co-operative activity were entirely forgotten. Speaking of overdues, he observed that these overdues really formed the cancer that ate into the vitals of the movement. If this cancer was allowed to grow in the same magnitude, he was afraid that it would accelerate the end of the movement. It was up to them to devise practical schemes to wipe out the overdues.

#### *Land Mortgage Bank.*

Next, there was also a lack of appreciation, he said, on the part of co-operators as regards the difference between short-term and long-term credit. It was unsound in principle, to lend the funds of these credit societies for long terms and the co-operative societies were not equipped with all the requisites to help the agriculturists out of their present distress. It was to meet this need that he was starting a Land Mortgage Bank in Cochin. He was a practical businessman. He knew at the outset that the Loans Scheme would not work. It was not the fault of the Special Loans Staff that not a single pie was advanced so far. The staff, by its very constitution, could not be expected to function properly. He announced that the Land Mortgage Bank was to be an integral part of the Co-operative Movement. He hoped that the problem of overdues would disappear with the formation of the Land Mortgage Bank; but if in spite of this the overdues persisted, he would only think that there was something wrong in the character of the people of Cochin. He condemned the vicious system of renewing loans which was an important factor that resulted in increased overdues.

## CONFERENCES

### *Non-Credit Co-operation.*

As regards non-credit activities, Sir R. K. Shanmukham said it was not enough if money was advanced to agriculturists without providing ways and means for helping him to liquidate his debts. Organisations for the purchase of the requirements of the ryots and for marketing his products formed a necessary complement and corollary for credit societies. He cited a remarkable example of non-credit activity from Australia where the orange-growers earned huge profits by marketing their produce in London and Liverpool.

He deplored that Indian producers were unfortunately lacking in commercial morality as compared with producers elsewhere. A merchant in Liverpool or New York purchased invariably on samples and even on trade descriptions whereas such a thing could not be thought of in the case of the Indian producer as he did not supply goods of identical quality. They could not sell Indian cotton in New York or London, because there was no recognised standard. Quality was an essential factor and they could not sell their products to advantage in any market as long as they did not standardise their goods. There were several industries which could be developed by the formation of co-operative societies on non-credit lines. The value of co-operation in schemes of rural welfare and reconstruction could not be exaggerated. In conclusion, he expressed the hope that the deliberations of the Conference would result in the movement being placed on a sure and solid foundation.

The Conference finally urged that the organization of communal societies should be put an end to, that the membership of rural societies should be limited to 100, that the Registrar of Co-operative societies should have discretion to authorise supervising unions or other agencies to take all possible steps to rectify societies before liquidating them and that a Central Land Mortgage Bank should be established.



## Opinions on draft Amendments to the Rules under the Co-operative Societies Act.

The following institutions agree with the views of the Provincial Co-operative Union (as expressed in the 'Madras Journal of Co-operation') on all points :—

1. Tanjore Co-operative Central Bank.
2. Ramachandrapuram Co-operative Central Bank.
3. Tinnevely District Co-operative Central Bank.
4. Hindupur Co-operative Town Bank.

### RULE VII (6).

#### Amendment proposed :

3. After sub-rule (5) of the Rule VII of the said rules, the following sub-rule shall be added, namely :—

“(6) A society with limited liability the working capital of which exceeds Rs. 30,000 shall publish along with its administration report for the co-operative year a list of its members as on the last day of such year.

#### Opinion of the Provincial Co-operative Union.

“The new sub-rule added to the existing rule VII requires a society with limited liability and a working capital exceeding Rs. 30,000 to publish along with its annual administration report a complete list of its members as on the last day of the co-operative year. We consider this a wholly unnecessary requisition. It will be enough if the lists are required to be brought up-to-date and tendered for examination at the inspection or audit by the concerned departmental officials. The general publication of such lists besides being of no interest to the public may lead to certain undesirable results, specially in regard to certain types of non-credit societies.”

#### Opinions of other bodies and members :

- |                                          |                                     |
|------------------------------------------|-------------------------------------|
| 1. Malabar Dt. Co-op. Bank.              | Agrees with the views of the P.C.U. |
| 2. Tiruvannamalai Co-op. Society.        | do.                                 |
| 3. Gudlavalluru Co-op. Land Mortgage Bk. | do.                                 |
| 4. Mr. K. G. Sivaswamy Iyer.             | do.                                 |

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

- |                                         |                                                                                                                                                                                                                                   |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. Nellore Dt. Co-op. Banking Union.    | Against the amendment.                                                                                                                                                                                                            |
| 6. Co-operative Central Bank, Vellore.  | do.                                                                                                                                                                                                                               |
| 7. Razole Co-op. Land Mortgage Bank.    | do.                                                                                                                                                                                                                               |
| 8. West Godavari Dt. Co-op. Central Bk. | do.                                                                                                                                                                                                                               |
| 9. Coimbatore Co-op. Stores and Bank.   | do.                                                                                                                                                                                                                               |
| 10. Mr. B. V. Ramamoorthy.              | do.                                                                                                                                                                                                                               |
| 11. Ganjam Dt. Co-op. Banking Union.    | For the amendment.                                                                                                                                                                                                                |
| 12. Paramakudy Co-op. Society.          | do.                                                                                                                                                                                                                               |
| 13. South Kanara Co-op. Central Bank.   | For the amendment—suggests the following modification :<br>“The list may be published periodically once in 5 years, additions and removals being published yearly.”                                                               |
| 14. Berhampore Co-op. Urban Bank.       | Suggests a substitute—“shall publish along with its administration report for the co-operative year” may be substituted by “shall prepare within one month after the close of a co-operative year and keep ready for inspection.” |
| 15. Cuddapah Dt. Co-op. Central Bank.   | For the amendment.                                                                                                                                                                                                                |

### RULE XVIII-A.

#### Amendment proposed :

4. After rule XVIII of the said rule, the following rules shall be inserted, namely :—

“XVIII-A. No member of a society who has been expelled under the provisions of its bye-laws shall be eligible for re-admission as a member of that society or for admission as a member of any other society for a period of two years from the date of such expulsion.”

#### Opinion of the P.C.U.

.....

#### Opinion of other bodies and members :

- |                                      |                    |
|--------------------------------------|--------------------|
| 1. Malabar Dt. Co-op. Central Bank.  | For the amendment. |
| 2. Cuddapah Dt. Co-op. Central Bank. | do.                |
| 3. Ganjam Dt. Co-op. Banking Union.  | do.                |

- |                                                                                   |                                                                                                                                            |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Co-op. Central Bank,<br>Vellore.                                               | For the amendment.                                                                                                                         |
| 5. Razole Co-op. Land<br>Mortgage Bank.                                           | Against the amendment—Suggests the restriction should be imposed so as to prevent unjust expulsion.                                        |
| 6. Mr. B. N. Sastry,<br>Director Konaseema<br>Co-op. Central Bank,<br>Amalapuram. | Not in favour of fettering the discretion of another society—suggests the omission of "or for admission as a member of any other society." |

## RULE XXIV.

### Amendment proposed :

XXIV. The following procedure shall be adopted in regard to amendments to the bye-laws of a society :—

(i) Every amendment shall be made only by a resolution passed by a majority of the members present at a meeting of the general body of the members of the society.

(ii) No such resolution shall be valid unless notice of the amendment proposed has been given in accordance with the bye-laws.

(iii) Every application made to the Registrar for the Registration of an amendment shall be signed by the Secretary and two members of the Committee, and shall contain the following particulars, namely :—

(a) the date of the general body meeting at which the amendment was made ;

(b) the number of days' notice given to convene the general body meeting ;

(c) the total number of members of the Society on the date of such meeting ;

(d) the number of members present at such meeting, and

(e) the number of members who voted for the amendment.

### Opinion of the P. C. U.

"The new Rule XXIV relating to registration of amendments to bye-laws is, we believe, necessitated by the difficulty of ascertaining what has transpired at a general body meeting when factious quarrels obscure the proceedings, instances of which are unfortunately becoming very common, and seems to be a useful amendment."

### Opinion of other bodies and members :

- |                                                |                    |
|------------------------------------------------|--------------------|
| 1. Malabar Dt. Co-op.<br>Bank.                 | For the amendment. |
| 2. Cuddapah Central Bk.                        | do.                |
| 3. South Kanara District<br>Co-op. Central Bk. | do.                |
| 4. Ganjam Dt. Co-op.<br>Banking Union.         | do.                |
| 5. Co-operative Central<br>Bank, Vellore.      | do.                |

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

- |                                      |             |                                                                                                                                                                                                         |
|--------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Berhampur<br>Urban Bank.          | Co-op.      | Agrees with the views of the P. C. U.                                                                                                                                                                   |
| 7. Paramakudi<br>Society.            | Co-op.      | do.                                                                                                                                                                                                     |
| 8. Coimbatore<br>Stores and Bank.    | Co-op.      | do.                                                                                                                                                                                                     |
| 9. Tiruvannamalai<br>Co-op. Society. |             | do.                                                                                                                                                                                                     |
| 10. Gudlavaluru<br>Land Mortgage Bk. | Co-op.      | do.                                                                                                                                                                                                     |
| 11. Razole<br>Mortgage Bank.         | Co-op. Land | Suggests the addition of a proviso that in the absence of a certain proportion of the members supporting an amendment in regard to the constitution of the Committee such amendment shall not be valid. |

### RULE XXV.

#### Amendment proposed :

XXV. No society shall contribute any money towards the expenses of any co-operative conference, unless such conference is held under the auspices of a society which is authorised by its bye-laws to undertake the holding of such conferences. The society holding the conference shall keep separate accounts of the income and expenditure of such conference and such accounts shall be subject to audit by the Registrar or by some person authorised by him under section 37 of the Act.

#### Opinion of the P. C. U.

"The new Rule XXV prohibits co-operative societies from contributing to the expenses of a co-operative conference, unless the conference is held under the auspices of a society which is empowered by its bye-laws to undertake the holding of such conferences. Very few societies have such a provision in their bye-laws now and it is doubtful if such addition will be registered in future. The requirements of the situation, arising from persons who are not liable to account for such funds holding conferences, can be met by requiring the conferences to be held by registered societies which are liable to render account. The addition of the words 'which is authorised by its bye-laws to undertake the holding of such conferences,' unduly interferes with the existing practice and freedom to convene conferences which have great educational value."

#### Opinions of other bodies and members :

- |                              |        |                                       |
|------------------------------|--------|---------------------------------------|
| 1. Berhampore<br>Urban Bank. | Co-op. | Agrees with the views of the P. C. U. |
|------------------------------|--------|---------------------------------------|

## THE MADRAS JOURNAL OF CO-OPERATION

- |                                           |                                                                                                                                                                                                                                                   |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Paramakudi Co-op. Society.             | Agrees with the views of the P.C.U.                                                                                                                                                                                                               |
| 3. Coimbatore Stores and Bank.            | do.                                                                                                                                                                                                                                               |
| 4. Mr. K. G. Sivaswami Iyer.              | do.                                                                                                                                                                                                                                               |
| 5. Malabar Dt. Co-op. Bank.               | For the amendment.                                                                                                                                                                                                                                |
| 6. Co-operative Central Bank, Vellore.    | do.                                                                                                                                                                                                                                               |
| 7. Cuddapah Co-op. Central Bank           | For the amendment—wants the draft rule to be recast to enable some big and reliable societies in each taluk to convene conferences.                                                                                                               |
| 8. West Godavari Dist. Co-op. Central Bk. | Against the amendment.                                                                                                                                                                                                                            |
| 9. Mr. B. V. Ramamurti.                   | do.                                                                                                                                                                                                                                               |
| 10. Ganjam Dt. Co-op. Banking Union.      | For the latter half.                                                                                                                                                                                                                              |
| 11. Nellore Dt. Co op. Banking Union.     | Against—but suggests that a scale for subscription may be fixed on the working capital or maximum borrowing power.                                                                                                                                |
| 12. Tiruvannamalai Co-operative Society.  | Endorsing the views expressed by the P.C.U., the society makes the following alteration :<br>The first sentence beginning from "No Society" and ending with "such conferences" may be deleted and the second sentence may be retained as a whole. |
| 13. Gudlavalleru Co-op Land Mortgage Bk   | Agrees with the views of the P.C.U.                                                                                                                                                                                                               |

### RULE XXVI.

#### Amendment proposed :

XXVI. The bye-laws of every society shall provide either that the term of office of all the members of its committee shall expire on the same date and at such yearly intervals, as may be specified, or that a certain proportion of the members of its committee shall retire in each year on such date as may be specified. In the former case, all the members of the committee (including those elected in casual vacancies) whether representing societies or individuals shall vacate their office on the date specified, irrespective of the date on which they were elected as members of the committee. In the latter case, the members due for retirement in each year (including those elected in their places in casual vacancies) shall vacate their office on the date specified.

#### Opinion of the P.C.U.

"Rule XXVI in its amended form lays down that the members of a committee *shall* vacate office on the date on which the period of office, *as specified in the bye-laws*, expires. Does this mean that a provision in the bye-law that members of the committee may hold

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

office for a specified period or *until their successors are appointed* will be invalid in future? We are aware that under the disguise of this elasticity, bye-laws are being abused in some cases and elections are put off indefinitely to gain personal ends; but cannot something less drastic than the proposed amendment be put in to remedy such an evil?"

### Opinions of other bodies and members :

- |                                               |                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Coimbatore Co-operative Stores & Bank.     | Agrees with the views of the P.C.U.                                                                                                                                                                                                                                                                                                                                |
| 2. Gudlavalleru Co-op. Land Mortgage Bk.      | A-                                                                                                                                                                                                                                                                                                                                                                 |
| 3. South Kanara Central Co-operative Bank.    | For the amendment.                                                                                                                                                                                                                                                                                                                                                 |
| 4. Trichinopoly District Co-op. Central Bank. | Against the amendment.                                                                                                                                                                                                                                                                                                                                             |
| 5. Paramakudi Co-op. Society.                 | Amendment unnecessary.                                                                                                                                                                                                                                                                                                                                             |
| 6. Cuddapah Co-operative Central Bank.        | Against the amendment—for the continuance of the present practice.                                                                                                                                                                                                                                                                                                 |
| 7. Co-operative Central Bank, Bellary.        | Wants the old one, but wants to modify it by adding the words "but in any case not beyond three months after specific date" after the words, "until their successors are appointed."                                                                                                                                                                               |
| 8. Ganjam Dt. Co-op. Banking Union.           | Proposes "That members of the committee may hold office for a specified period or until their successors are elected" and that Registrar should be empowered to compel the society to call for a general body meeting.                                                                                                                                             |
| 9. Berhampur Co-op. Urban Bank.               | In the second sentence, for "shall vacate their office on the date specified" may be substituted "shall continue in office until the successors are appointed at the next general body meeting which shall be held within 30 days after the specified date."                                                                                                       |
| 10. Tiruvannamalai Co-operative Society.      | The words "on the same date and" after the words "shall expire" and the words "on such date" after the words "shall retire in each year" may be deleted.                                                                                                                                                                                                           |
| 11. Mr. K. G. Sivaswami Iyer.                 | Suggests that the rule may make it clear that while there is no objection to present officer-bearers continuing till their successors are appointed, elections should be held within a definite period after the expiry of their office and that for all the representatives simultaneously, if the corporate character of the executive body is to be maintained. |

12. Mr. Siva Chennabasappa. Suggests that elections may be completed one month before the expiry of each term, failing which the Registrar may appoint a temporary president to hold office until the normal condition is brought into being.
13. Mr. B. N. Sastri Wants to provide against a stalemate—Suggests the framing of a rule that a member of a committee should hold office for a specified period, until a successor is appointed. To prevent the misuse of this, a provision must be made for the compulsory holding of the elections to the committee, within a specified period, before the term of the members expires, as is done in the case of Local Boards and Municipalities; or, for holding the elections within a specified period after the expiry of the term, of the sitting members, until which time the old committee shall continue.

### RULE XXVII.

#### Amendment Proposed :

XXVII. (1) The proportion of individual members to society members on the committee of a financing bank and the maximum strength of the committee shall be determined by the Registrar in consultation with the committee of the bank.

(2) No person shall be eligible for appointment as a member of the committee of a financing bank unless he holds such number of shares, or has invested in fixed deposits in such bank such amount, as may be fixed by the Registrar, from time to time in consultation with the committee of such bank.

#### Opinion of the P. C. U.

The new Rule XXVII (1) vests in the Registrar power to fix the maximum strength of the committee of the financing bank and the proportion of individual members to society members on it, in consultation with the committee of the Bank. *Prima facie* this new power is an inroad on the rights of General Body to determine the composition of its committee. The financing banks have generally been responsive to the requisition of the Registrar to reduce the size of their committees and are working on a convention that the proportion of individual members to society members shall ordinarily be 1 and 2. Is it intended to upset this convention by giving undue weightage to either of these two classes in places where Registrar thinks fit to do so or considers that local conditions require it? We prefer to wait and see how co-operative opinion reacts to this curtailment of an essential power of general bodies of Central Banks.

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

"The new rule XXVII (2) which makes the holding of a prescribed number of shares or a prescribed amount of investments in fixed deposits necessary to give qualification for eligibility to membership of a committee, is *prima facie* not in keeping with principles of co-operation. Moreover we feel that the recognition of a deposit made in a society as a qualification for membership of its committee will give far too a commercial an aspect to a co-operative organisation and it is undesirable that depositors should control co-operative banks. This will be a new element of disturbance in the running of the societies which are already afflicted by far too many conflicting interests."

### Opinion of other bodies and members :

- |                                               |                                                                                                                                                                   |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Malabar Dt. Co-op. Bank.                   | Agrees with the views of the P. C. U.                                                                                                                             |
| 2. Paramakudi Co-op. Society.                 | do.                                                                                                                                                               |
| 3. Gudalavalleru L. M. Bank                   | do.                                                                                                                                                               |
| 4. South Kanara Central Co-op. Bank.          | Against the amendment.                                                                                                                                            |
| 5. Nellore Dt. Co-op. Banking Union.          | do.                                                                                                                                                               |
| 6. Ganjam Dt. Co-op. Banking Union.           | do.                                                                                                                                                               |
| 7. Guntur Dt. Co-op. Central Bank.            | do.                                                                                                                                                               |
| 8. Razole Co-op. Land Mortgage Bank.          | do.                                                                                                                                                               |
| 9. Trichinopoly District Co-op. Central Bank. | do.                                                                                                                                                               |
| 10. West Godavari Dt. Co-op. Central Bk.      | do.                                                                                                                                                               |
| 11. Mr. B. V. Ramamurti.                      | do.                                                                                                                                                               |
| 12. Mr. Sivachanna-basappa.                   | do.                                                                                                                                                               |
| 13. Mr. K. G. Sivasami Iyer.                  | Against the amendment—suggests that the better procedure would be to ask straight-away for the power of final approval of the elected directors by the Registrar. |
| 14. Co-operative Central Bank, Vellore.       | For the amendment.                                                                                                                                                |



- |                                                  |                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. Mr. N. Ramaswami Iyer.                       | Wants the proportion of individuals to society members to be in the ratio of 1 to 2. —total not to exceed 18 but not below 12 —wants that individuals should be elected by individuals and not by the general body. For the (2) amendment.                                                                                                                                 |
| 16. Berhampore Co-op. Urban Bank.                | In rule XXVII (2) the words "or has invested in fixed deposits in such banks such amount" may be omitted.                                                                                                                                                                                                                                                                  |
| 17. Coimbatore Co op. Stores and Bank.           | Rule XXVII (2) is not in keeping with the principles of co-operation and hence should not be passed.                                                                                                                                                                                                                                                                       |
| 18. Tiruvannamalai Co-op. Society.               | The proportion of individuals to society members must be definitely prescribed in the rule itself and leaving it to the Registrar to fix them therein consultation with the committee is not contemplated by clause (1) of section 65. This may be definitely fixed as nine members forming the committee of which five will represent societies and four the individuals. |
| 19. The Cuddapah Co-op. Dt. Co-op. Central Bank. | Against (1)<br>(2) Share limit may be fixed; not in favour of deposits.                                                                                                                                                                                                                                                                                                    |
| 20. Mr. B. N. Sastri.                            | Against the amendment—suggests the fixing of the proportion of individual members to society members at 1:2 as suggested by the Townsoud Committee. Against (2).                                                                                                                                                                                                           |

## RULE XXVIII.

### Amendment Proposed:

XXVIII. No-person shall be eligible for appointment as a member of the committee of any society or to continue to be a member of the committee of any society, if he—

- (i) has been or is adjudicated insolvent;
- (ii) has been or is convicted for an offence involving moral delinquency, such sentence not having been reversed or the offence pardoned
- (iii) is or becomes of unsound mind, a deaf-mute or a leper.

### Opinion of the P.C.U.

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### Opinions of other bodies and members:

- |                                     |                    |
|-------------------------------------|--------------------|
| 1. Ganjam Dt. Co-op. Banking Union. | For the amendment. |
| 2. Co-op. Central Bank, Vellore.    | do.                |
| 3. Cuddapah Co-op. Central Bank.    | do.                |

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

4. West Godavari Dt. Co-op. Central Bk. (i) for the amendment, but wants to substitute "has been or is an applicant to be adjudicated an insolvent."  
(ii) Substitute the following :—"has been or is convicted for any offence other than offence of a political character or an offence not involving moral delinquency, such sentence not having been reversed or the offence pardoned."
5. Mr. B. N. Sastri (i) The word 'undischarged' may be substituted for 'adjudicated'.  
(ii) wants to fix the period within which a convicted person cannot be appointed as a member.  
Suggests the exclusion of political offences from the category of offences contemplated in the clause.

### RULE XXIX.

#### Amendment Proposed :

XXIX. A delegate of one society sitting on the committee of another society shall cease to be a member of such committee—

(a) if the society which elected him as a delegate withdraws him or elects another delegate in his stead ; or

(b) in case he was elected as a delegate by the committee of a society, on the supersession of such committee under section 43 of the Act ; or

(c) if the registration of the society of which he is the delegate is cancelled.

#### Opinion of the P. C. U.

"The new Rule XXIX which provides *inter alia* for the cessation of membership of a committee to which a person was elected by the committee of another society which is superseded under section 43 of the Act has become necessary by reason of the very enactment of the section, the occasions for the application of which are unfortunately becoming common. In such cases provision must be made for the general body of the society whose committee is superseded to elect a substitute, at least until the committee is reinstated."

#### Opinion of other bodies and members :

1. Ganjam Dt. Co-op. Banking Union. Agrees with the views of the P. C. U.
2. Berhampore Co-op. Urban Bank. do.

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- |                                        |                                                                                                                                                                                  |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Paramakudi Co-op. Society.          | Agrees with the views of the P.C.U.                                                                                                                                              |
| 4. Coimbatore Co-op. Stores and Bank.  | do.                                                                                                                                                                              |
| 5. Tiruvannamalai Co-op. Society.      | do.                                                                                                                                                                              |
| 6. Gudlavalleru Co-op. L. M. Bank.     | do.                                                                                                                                                                              |
| 7. Cuddapah Co-op. Central Bank.       | For the amendment.                                                                                                                                                               |
| 8. Co-operative Central Bank, Vellore. | do.                                                                                                                                                                              |
| 9. Mr. K. G. Sivaswami Iyer.           | do.                                                                                                                                                                              |
| 10. West Godavari Dt. Co-op. Bank.     | Against the amendment.                                                                                                                                                           |
| 11. Mr. Sivachenna-basappa.            | Against the amendment—suggests the addition of the following in (c):—<br>“In the case of unions and banks their constituents may be given the privilege of electing a delegate.” |
| 12. Razole Co-op. Land Mortgage Bank.  | (b) Suggests that provision be inserted to enable the general body to elect a delegate in case the committee is superseded.<br>Against (c).                                      |

### Amendment Proposed :

XXX. Any officer of a society who appears as a legal practitioner on behalf of or against such society, or on behalf of or against any other society which is a member of the former society shall be deemed to have vacated his office as such.”

### Opinion of the P. C. U.

“The new Rule XXX says that an officer of a society who appears as a legal practitioner for or against such society, or on behalf of or against any other society which is a member of the former society “shall be deemed to have vacated his office as such”. We consider this far too drastic in some respects and not sufficiently strict in some respects. If for instance the director of a central bank is engaged in a suit by or against one of the numerous societies affiliated to it or if a Director of the Provincial Bank is engaged in a case by or against a central bank affiliated to it, why should such a Director vacate his office in the Central Bank or the Provincial Bank? We quite agree that no Director of a co-operative society should act for or against *the society* in his pro-

## SUGGESTIONS REGARDING AMENDMENTS TO RULES

professional capacity as a legal practitioner for remuneration of whatever nature— fee for consultation, advice, drafting, pleading or acting. The rule may be made stricter in this respect. But if a director is willing to help the society honorarily without charging anything for his professional services, there is no reason to penalise him by making him vacate his office of director. The most stringent rules of professional etiquette in England or India do not make such free and honorary services improper for an advocate to render as director of a company."

### Opinions of other bodies and members.

- |                                               |                                                                                                      |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------|
| 1. Malabar Dt. Co-op. Bank.                   | Agrees with the views of the P. C. U.                                                                |
| 2. Ganjam Dt. Co-op. Banking Union.           | do.                                                                                                  |
| 3. K. G. Sivaswami Iyer.                      | do.                                                                                                  |
| 4. Paramakudi Co-op. Society.                 | do.                                                                                                  |
| 5. Nellore Dt. Co-op. Banking Union.          | Against the amendment.                                                                               |
| 6. Razole Co-op. L. M. Bank.                  | do.                                                                                                  |
| 7. Trichinopoly District Co-op. Central Bank. | do.                                                                                                  |
| 8. West Godavari Dt. Co-op. Central Bk.       | do.                                                                                                  |
| 9. South Kanara Central Co-op. Bank.          | do.                                                                                                  |
| 10. Coimbatore Co-op. Stores & Bank.          | Amendment not necessary.                                                                             |
| 11. Co-operative Central Bank.                | For the amendment.                                                                                   |
| 12. Berhampore Co-op. Urban Bank.             | The words "on behalf of" may be omitted                                                              |
| 13. Cuddapah Co-op. Central Bank.             | Proposed amendment is wide—may be limited to the particular society or bank in which he is a member. |
| 14. Mr. B. N. Sastri                          | Too wide and drastic.                                                                                |

## News and Notes.

Under the auspices of the Madras District Co-operative Propaganda Committee a meeting of the co-operators of Madras was held in July last with Mr. C. D. Nayagam in the chair. The draft amendments to the rules under the Madras Co-operative Societies Act, published recently, were discussed in detail. Some amendments were suggested and adopted and others were accepted as published. The Committee authorised the chairman to interview the authorities and explain to them the necessity for the amendments.

\* \* \*

Government have permitted local boards and municipalities to invest without previous sanction of the Government in twenty year debentures of the Madras Central Co-operative Land Mortgage Bank portions of the provident and railway cess fund to the limit of one-fourth and one-sixth of the total credit of the respective funds.

\* \* \*

A meeting of the Depressed Classes Co-operators' Federation of Madras was held recently with Mr. C. A. Murugesan, the Vice-President of the Federation, in the chair. The Federation urged that no improvement in the working of the depressed class societies was possible unless the Inspectors who inspect them belong to depressed class community and that the Government should lend money to the societies at a rate not exceeding that charged to the Central Land Mortgage Bank and building co-operative societies. It was also resolved that a deputation should wait upon the Development Minister to urge the redress of their grievances.

\* \* \*

The Kaikalur Taluk Debtors conference was held recently at Kaikalur in Kistna District under the presidentship of Mr. V. Chelamiah Naidu. Mr. Chitti Abbai Naidu, President of the Andhra Provincial Debtors' Association, was also present. The President of the Reception Committee explained to the delegates that the object of holding such conferences was not to claim complete liberation from all debts but to devise methods of conciliation between the debtors and creditors. In the course of his presidential address, Mr. Chelamiah Naidu said that it was good to apply the law of *Damduput* (the principal and interest should not exceed twice the principal amount) for the debtors' salvation from the clutches of the creditors. In his concluding remarks he observed that the Andhra Provincial Debtors' Association should approach the Government for legislation on the lines suggested by him. The conference then urged that the resolutions passed at the Andhra Provincial Debtors'

## NEWS AND NOTES

conference should be put into force at an early date, that all the creditors in the Taluk should take annas eight or four in the rupee according to the merits of the respective cases and that the Government should immediately hold a survey of the indebtedness of the ryots in the taluk.

\* \* \*

Addressing a group of co-operative students recently on the subject of saving and spending, Professor Hall observed, "Two or three years ago there was a great controversy in the Press as to whether it was wise for people to save or whether it would be better to spend. Many believed in spending; but I hope to-day we shall form our own opinion." Then he went on to say that money lent to a co-operative society, building society or manufacturer was spent on capital goods, viz., buildings, machinery etc., which created consumable goods that the people required. In a sensible community they would just save enough and spend enough and have just enough machinery to produce the quantity of goods that the people's incomes would buy. If people saved too much money, it meant they were spending less on consumable goods, with the result there was a bigger supply on the markets, prices fell, production was cut down, and there was more unemployment.

\* \* \*

The co-operators of the Cochin State presented an address to Sir R. K. Shanmukham Chetty, the Dewan, congratulating him on his appointment as the Chief Executive of the State on the occasion of the conference of co-operators held at Kunnamkulam in June last. The Dewan made a suitable reply assuring them that he would try to do his best for the better working of the movement in the State.

\* \* \*

The anniversary of the Tagadur Rural Reconstruction Centre in the Mysore State took place in the first week of July last and the village presented an animated appearance on the occasion. The annual report on the working of the Centre was read by Mr. T. Ramachandra Rao in which the activities of the Centre for the year such as khadi production, the education of Harijan children, and the improvement of the sanitation of the village, were described in detail. In bringing the proceedings to a close the chairman thanked the authorities of the State for having given adequate help to the Centre.

\* \* \*

The sixth Arya Vysya Co-operative Conference was held a few days back at Malekal Thiripati, near Arasikere in the Mysore State. Mr. Chennaraj Urs, Deputy Commissioner of Hassan, presided. The Secretary of the Conference presented the annual report on the working of the Vysya Co-operative Societies in the State. In the course of the various speeches delivered on the occasion, suggestions were made for the improvement of the education of the Vysya community out of the reserve funds of their societies. The Conference also urged, that the penal interest

collected should be kept as a separate deposit for the scholarship of the students of the community. A shield presented by Mr. Boopalam Srikanta Chetty of Arasikere was awarded to the Kolar Vysya Co-operative Society as it was the best working society in the State for the year.

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A correspondent from Baroda wrote recently in the *Hindu*:—

An amendment is published in to-day's State Gazette, to the Rules under the Co-operative Societies Act making it incumbent on all members of a co-operative society to furnish a statement giving full specification and price of the particular type of the movable and immovable property specified under the Act, held by them and also a declaration on oath in writing as to the correctness of the particulars supplied as well as an assurance not to dispose of the same property either by way of sale, mortgage or gift as long as the monies advanced on loan by the society are not repaid or to let out on lease, for a period exceeding three years, without the permission of the society. It is also provided that anyone found acting in contravention of the provisions mentioned above, will be penalised to the extent of one year's imprisonment of either kind or fine upto Rs. 500 or both. All First Class Magistrates are held competent to hold an enquiry in the matter.

Seeing how unreliable the property statements prepared in rural societies are, one would recommend the adoption of similar drastic rules by other States and provinces.

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The third International Thrift Congress was held recently at Paris and was attended by about 1,000 representatives of ordinary and Post Office savings banks of 26 countries. During the proceedings thrift propaganda films were shown and an international exhibition was held to demonstrate the various aspects of thrift propaganda, including the social work of the savings banks, adopted in different countries.

# LIST OF SOCIETIES REGISTERED AND LIQUIDATED

*List of Societies registered during the month of June last.*

	Name of Society.	District.
1.	Kunnuvarankottai Kallar Co-operative Credit Society ... ..	Madura.
2.	Rajapalayam Panchayat Board Menial Employees' Co-operative Society... ..	Ramnad.
3.	Palanjanallur Co-operative Labour Society ...	South Arcot.
4.	Anantapur Government Training School Students' Co-operative Stores ... ..	Anantapur.
5.	The Ariyalur Co-operative Building Society ...	Trichinopoly.
6.	The Sivalaperi Tank Co-operative Irrigation Society ... ..	Tinnevelly.
7.	The Divi Co-operative Land Mortgage Bank, Avanigadda ... ..	Kistna.
8.	The Gudur Co-operative Land Mortgage Bank...	Nellore.
9.	The Gudiyatham Shanmugar Weavers' Co-operative purchase and Sale Society ...	North Arcot.
10.	The Polur Co-operative Crop Loan and Sale Society ... ..	
11.	Vaiyappamalai-Minnampalli Co-operative Society	Salem.
12.	The New Pithapuram Land Mortgage Bank, Pithapuram ... ..	East Godavari.
13.	The Kandiur Co-operative Loan and Sale Society	Tanjore.
14.	The Budalur Co-operative Credit Society	"
15.	The No. II Survey Party (Detachment) Co-operative Society ... ..	"
16.	Rajampet Co-operative Land Mortgage Bank ...	Cuddapah.

*List of Societies whose registration has been cancelled in the month of June last.*

	Name of the Society.	Name of the District.	Date of cancellation.
1.	Kaunigapuram Co-operative Society ... ..	Chingleput	1-6-35.
2.	Echaladdi C.S. ...	Anantapur	1-6-35.
3.	Gabrielpuram F.L.C.S. ...	Tanjore	5-6-35.
4.	Ganjam District Public Servants' C.S. ...	Ganjam	7-6-35.
5.	Uravakonda L.C. Union ...	Anantapur	11-6-35.
6.	Illur Panchama C.S. ...	"	"
7.	G. K. Munjavaram C.S. ...	East Godavari	"
8.	Mannarghat C.S. ...	Malabar	"
9.	Wallajah Urban Bank ...	North Arcot	"
10.	Nilgiris District Co-operative Labour Union ...	Nilgiris	"



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Name of the Society.	Name of the District.	Date of cancellation
11. Sasanakota C.S.	... Anantapur	17-6-35.
12. Thadlankoil L.R.C.S.	... Tanjore	10-6-35.
13. Kadavurcheri ...	... Chingleput	15-6-35.
14. Dharugapuram C.S.	... Sankarankoil Taluk Tinnevely District	15-6-35.
15. Kotari C.S. ...	... Ganjam	22-6-35.
16. Kokkanti C.S. ...	... Anantapur	25-6-35.
17. Kadavakollu C.S.	... Kistna	26-6-35.
18. Kandithampattu	... Tanjore	26-6-35.
19. Vanaramutti Co-operative Stores ...	... Tinnevely	24-6-35.
20. Arumulithevan F.L.C.S. ...	Tanjore	30-6-35.

## Extracts.

### RURAL CREDITS IN AUSTRALIA.

Mr. A. Ramaiah writes in the *Hindu* on Rural Credit and the Australian Central Bank as follows:—

In 1925 the Government brought down a Bill amending the Commonwealth Bank Act by the creation of a Rural Credits Department.

Under this legislation the Bank was empowered to make advances to co-operative associations or other prescribed bodies, upon the security of primary produce; no advance was to be made for more than a year. The aim of the measure was not only to stimulate the growth of co-operation amongst producers, but to make provision for the orderly marketing and, if necessary, the holding of products—not for speculative purposes, but to improve and regulate the process of distribution throughout the year in the interests of both the producer and consumer. Producers were encouraged to place themselves in a position to eliminate unnecessary handling after harvesting and to avoid unnecessary sacrifice.

In the majority of cases in which advances have been made, the borrowing authority—the association of growers—has practically no assets other than the commodity advanced against, but notwithstanding this the percentage of the advance to the market value of the particular commodity has been materially higher than would be made as a normal banking proposition. This has been of considerable practical importance to growers, many of whom require immediate payment of the greater portion of the proceeds of their produce to meet the expenses of harvesting and carrying on.

Long before the creation of the Rural Credits Department, pooling by private producers was well developed in Australia. Particularly during the war years commodities were pooled, both in the interests of

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the grower and of the Empire. Apart from the huge wheat pools and the B. A. W. R. A. control of wool, there were pools for such varied commodities as butter and cheese, rabbits, meat, jam and fruit, so that no elaborate propaganda was needed to educate producers into associations to take advantage of the facilities afforded by the Rural Credits Department.

**Finance.**—To provide funds for use by the Department the Act makes provision for loans by the Federal Treasurer with not more than £ 3,000,000 outstanding at any one time and for the issue of debentures by the bank; it has been found unnecessary to use either of these facilities.

The Act further provided that 25 per cent of the net profits of the Note Issue Department should be paid to the Rural Credits Department until a total of £ 2,000,000 was reached. This amount was attained in September 1932 and represents the permanent capital of the Department. Temporary requirements above the Department's own resources have been obtained by advances from the Bank.

**Security over produce.**—In terms of the Act advances may be made upon the security of primary produce placed under the legal control of the Bank. The security generally takes the form of a floating charge, storage warrants or similar documents of title, replaced by shipping documents when the produce is exported. As the pool or co-operative body concerned effects sales, the proceeds come to the Bank as holder of the documents of title and are applied in clearance of the advances which have been made to the individual growers.

**Primary produce.**—Primary produce eligible for advances was originally defined as wool, grain, butter, cheese, fresh, preserved or dried fruits, hops, cotton, and sugar, but during subsequent years were added wine, spirits, meat, egg pulp, precious and other metals, broom millet, arrowroot flour, superphosphate, timber, arrowroot, canary seed, peanuts, fodder, jam, cotton seed and cotton seed products including linters, cotton seed oil, cake and cubes and soap stocks, sheep and lamb skins. There is no difficulty in arranging for other commodities to be prescribed.

**Eligible Borrowers.**—Private individuals are not eligible for advances from the Rural Credits Department. Their requirements for long term and intermediate are met by the Trading Banks and other agencies; as are their short term requirements other than those financed through their co-operative associations by the Rural Credits Department.

The typical borrower is the Co-operative Association or pool. These are associations usually of small producers who realised that union is strength when it comes to a question of marketing their products. The Act makes further provision for advances to the Commonwealth or other

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Banks or to other non-co-operative, corporate or incorporate bodies, which are proclaimed as eligible. Under this heading Associations, which through some technical reasons cannot be classed as co-operative become eligible for advances.

Advances.—Advances made each year since the inception of the Department are appended :—

Year ended	Total Advances. £		
30-6-'27	...	...	... 7,428,000
30-6-'28	...	...	... 5,360,000
30-6-'29	...	...	... 8,445,000
30-6-'30	...	...	... 6,608,000
30-6-'31	...	...	... 8,635,000
30-6-'32	...	...	... 6,414,000
30-6-'33	...	...	... 6,867,000
30-6-'34	...	...	... 4,196,000

Low prices for commodities materially reduce the amount of advances and in recent years particularly, the low return for wheat has resulted in much reduced total advances.

Rate of interest.—As a matter of policy the Bank has consistently made Rural Credit advances at a rate materially below the ordinary overdraft rate. The present Rural Credits advance rate is  $3\frac{3}{4}$  per cent. This is probably the lowest rate that has ever been charged in Australia for banking advances. The Commonwealth Bank's ordinary overdraft rate is  $4\frac{1}{4}$  per cent.

Profits of Department.—Of the net profits one half is credited to the Rural Credits Department Reserve Fund and one half to the credit of the Rural Credits Development Fund. Profit-making is not the aim of the Department and from its inception to 30-6-34 profits aggregate only £ 430,530.

Each year since its inception the Department has earned a profit and no advance made has involved the Bank in loss. Taking into account the high percentage that advances bear to the value of commodities this is an indication of the practical value of co-operation both to borrower and lender.

Rural Credits Development Fund.—The Act provides that the Rural Credits Development Fund is to be used in such manner as the Board directs, for the promotion of primary production.

For this purpose grants exceeding £ 160,000 have been made since the inception of the Fund. In view of the important work done for Australian production by the Council for Scientific and Industrial Research substantial grants have been made to that body, particularly during the

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worst years of the depression when the Government grant was materially reduced. In all States grants have been made to the Department controlling Herd Recording. This work is proving of immense value in improving the strain of dairy herds and increasing the value of milk production.

Grants have also been made for investigation into methods of eradicating various pests: towards prevention of disease in cattle and sheep: for encouraging fodder conservation in New South Wales; towards the expenses of the Better Farming Train in Victoria; towards the betterment of stud stock in Western Australia, South Australia. Queensland and Tasmania, and in aiding primary production in many other directions.

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## SERVANTS OF INDIA SOCIETY.

*The following is an extract taken from the Report of the Servants of India Society, for 1934-35.*

### CO-OPERATION.

The Travancore Co-operative Enquiry Committee, of which Mr. Devadhar was President, submitted its report in July 1934. Thereafter he delivered some lectures in different places in the State on co-operative subjects and on rural indebtedness, and took up the enquiry into the condition of the co-operative movement in the Cochin State. He visited a large number of societies in the State in that connection and spoke at a number of places. Owing to his other engagements he was unable to devote uninterrupted attention to the enquiry. His report will be ready soon. He presided over the Malabar District Co-operative Conference at Calicut in November 1934, and the U. P. Co-operative Conference held at Orai in April 1935. He opened the building of the Coimbatore District Co-operative Bank and presided over the Silver Jubilee celebration of the Dudhondi Co-operative Society in Sangli State. He was a director of the Bombay Provincial Co-operative Bank and president of the Hindu Co-operative Housing Society of Bombay.

Mr. Venkatasubbaiya continued to be the Secretary of the Madras Provincial Co-operative Union and to look after its office work. On the transfer of its Telugu monthly journal from Madras he ceased to be its editor, but has been editing since January 1935 the English monthly organ of the Union, "The Madras Journal of Co-operation." He looked after the six rural reconstruction centres of the Union, did some propaganda in the districts, presided over the Silver Jubilee of the Puttur Co-operative Society in South Canara and delivered the "D. Appu Rao Lecture" on Co-operation under the auspices of the Mysore University. Mr. Suryanarayana Rao was a member of the Board of Management and of the Editorial Committee of the Madras Provincial Co-operative Union.

Mr. Sivaswamy was a member of the Executive Committee of the Tamil Nadu Co-operative Federation, visited societies in the Tamil districts for propaganda and looked after the societies in his rural reconstruction centre. Under the auspices of the Mysore University he delivered lectures on rural reconstruction at Mysore. Mr. Nayanar was a director and Working Committee member of the Malabar District Co-operative Bank and a director of the Calicut Co-operative Union, edited a monthly co-operative journal in Malayalam language, visited a large number of co-operative societies in Malabar district with a view to rectify them and looked after the labour co-operative store at Feroke, the Weavers' Co-operative Society at Tanur and the sales depot at Calicut. Mr. Sahu was a director and Working Committee member of the Cuttack Central Co-operative Bank and did co-operative propaganda in a number of villages. Mr. Dube was a director of the Co-operative Bank, Lucknow, a member of the Provincial Committee of the Co-operative Union, and Joint Secretary of the Rural Reconstruction Association of Lucknow. He was appointed arbitrator in a number of cases relating to co-operative societies.

### RURAL RECONSTRUCTION.

The Society conducts three rural reconstruction centres directly ; at Chowdhwar near Cuttak in Orissa, at Mayanur in Trichinopoly district in Madras Presidency and at Bhambora in Berar. Besides these, there were other centres for the management of which some members of the Society were responsible through other organisations. Mr. Devadhar, as Chairman of the Deccan Agricultural Association, supervised the Khed-Shivapur centre in Poona district, Mr. Venkatasubbaiva, as Secretary of the Madras Provincial Co-operative Union, looked after its six rural reconstruction centres situated in different districts ; the work of the Devadhar Malabar Reconstruction Trust, in charge of Mr. Nayanar, described later, was entirely in the nature of rural reconstruction.

The Chowdhwar centre continued to be in charge of Mr. Sahu. It maintained a school where in addition to other subjects instruction was given in weaving and in jute and eri silk spinning, a dispensary with a leprosy clinic, where about a hundred patients were given weekly injections, a small agricultural farm, a library and a reading room where news were read out and explained to illiterate persons at night. Lectures were frequently arranged sometimes with the aid of magic lantern slides, on subjects like sanitation, co-operation &c. The centre was instrumental in introducing some new crops in the area like sugarcane, potato, cabbage etc.

The Mayanur centre continued to be in charge of Mr. Sivaswamy. It has established in the surrounding area a number of village panchayats which have started schools, dug wells, made roads and created other

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amenities of life. Thrift societies, young men's associations and Bhajan organisations, particularly among the depressed classes, are its other important activities. A good deal of propaganda is done with the help of magic lantern slides for the removal of superstitious ideas and the drink habit. At Mayanur a central school is established where not only general education of the middle school standard is imparted but instruction is provided in civics, agriculture, bee-keeping and mat-weaving—the object being to produce leaders from the agricultural working classes for the improvement of village life. A hostel for boys is attached to the school into which students are admitted irrespective of caste or creed, with a high proportion of free seats. A special effort is made to awaken the women-folk of the area. During the year under report Mr. Sivaswamy's time and energy were mostly taken up in collecting funds for the school, in putting up buildings and in starting the classes. The grateful thanks of the Society are due to many co-operative institutions in South India and to the Registrar of Co-operative Societies, the Director of Industries and the Director of Public Instruction of Madras, who have given very great encouragement to Mr. Sivaswamy in this effort.

The Bhambora centre in Berar was in charge of Mr. Dravid, Senior Member of the C. P. Branch. Bhambora is a very small village with a population of only 400 persons, but it offered certain special facilities for being chosen as the headquarters of the Centre whose activities are intended to spread to some 20 surrounding villages. The preparatory school started in the previous year rose in strength from 20 to 25. The agricultural farm where improved cropping was demonstrated under the advice of the Agricultural Department, gave encouraging results. A co-operative credit society was started and worked cautiously with only share capital and local deposits. Its work so far has been very satisfactory. Voluntary settlement of some debts was effected after a great deal of persuasion. The campaign for the removal of manure heaps outside the village and for the proper conservation of manure was continued. At the reading room not only were newspapers provided but news were explained and talks given on hygiene and other subjects with the help of physiological charts &c.

An important development during the year was the starting of health work with its centre at Shendurjana which is the most important village of the area and is well served by motor buses. This work is started with the co-operation of the Red Cross Association of Amraoti which has given the services of a health visitor and of a health worker who is a qualified medical man. The health visitor advises pregnant women and attends to maternity cases. She is also training village *dais*, who in this area are Mang women, by holding weekly classes at Shendurjana and another village. Since the starting of these classes the *dais* have been

inviting the supervision of the health visitor in the cases managed by them. The health worker conducts a dispensary at Shendurjana and goes round regularly to half a dozen selected villages where chests of medicines for simple ailments, with instructions for their use, are left with a public spirited intelligent resident in each village, and attends to the more difficult cases. Among other activities may be mentioned a games club started at Shendurjana. This centre is very much indebted to Rao Sheb Dr. Bhagwat, Honorary Secretary of the Red Cross Association, Amraoti, and to the Deputy Commissioner of Amraoti.

The centres of the Madras Provincial Co-operative Union were in broad outlines similar to those of the centres described above. A full time suitable educated worker is stationed in each centre, which includes 15 to 20 villages in a radius of 5 or 6 miles from the headquarters of the centre. His work is supervised by a small committee of local co-operators. Substantial grants are given from an amount placed each year at the disposal of the Union by the Madras Provincial Co-operative Bank out its common good fund. The main object is to awaken the villager to an enlightened appreciation of his own interest and that of his neighbours, and to create a modern outlook by means of co-operative societies, village panchayats, reading rooms, magic lantern lectures, propaganda against drink, promotions of thrift &c. As Secretary of the Union Mr. Venkatasubbaiya inspected these centres, kept himself in close touch with their work and guided the workers and the local committees.

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## Editorial Notes.

### Debt Relief.

In commenting on debt conciliation in the June number of this *Journal* we suggested that the principles and methods of debt conciliation should be adopted voluntarily by co operative societies in respect of loans due to them by their members, and that the Co-operative Department should take the initiative in applying the old Indian principle of *Damdapat* to loans due to societies by their members. Referring to these suggestions, Mr. T. Austin, I.C.S., Registrar of Co-operative Societies, Madras, has kindly written to us pointing out the various steps taken by the Department during the last two years with a view to give relief to the borrowers in co-operative societies, thus giving effect in spirit to the principle of *Damdapat* and that too voluntarily, as suggested by us. The various steps taken are detailed below :—

1. If a borrower paid his debt before a specified date, all accumulated penal interest was waived.
2. In one or two instances societies were permitted to collect only as much as was necessary to pay the outside debt and to write off the balance.
3. The rate of interest charged on new loans was lowered.



4. Central Banks were advised to collect interest at not more than  $6\frac{1}{2}$  per cent for 1933-34 on all loans outstanding against societies, provided the entire interest due was paid on or before 30-6-1934.
5. Primary societies were advised to collect interest at not more than  $7\frac{1}{2}$  per cent on all loans outstanding against members, provided the entire interest due was paid on or before 30-6-1934.
6. As the condition of the agriculturists had not improved, the concessions stated above were extended to the end of 1934-35 also.
7. Central banks have been advised to reduce further the rate of interest on new loans; to charge the reduced rate of interest during the current year on all outstanding loans, including those that have been decreed and also those that have not fallen due; and not to charge compound interest on interest not paid.
8. Primary societies have been advised to abolish penal interest altogether, and also to collect interest on all outstanding loans, from the date of last payment, only the reduced rate of interest.

As these concessions can be given effect to by the societies only after the amendment of the by-laws concerned, circulars were sent round to the societies to amend their by-laws suitably.

It should be acknowledged that so far as the reduction of the burden of interest is concerned the steps recommended by the Registrar are satisfactory. It has to be seen to, however, that the advice reaches the village societies, that their by-laws are amended and that the interest is collected at the reduced rates. While this reduction in the rate of interest is no doubt to be appreciated, especially on account of the depression, it is not the same thing as debt conciliation or the application of the principle of *Damdupat* to the settlement of loans. In debt conciliation creditors are induced or compelled to accept smaller sums in settlement of their claims than they would be legally entitled to, and according to the principle of *Damdupat* no borrower should be required to pay by way of both interest and principal more than twice the amount actually borrowed by him. Our suggestion is that the principles of debt conciliation and *Damdupat* should be applied to all outstanding loans including those due to co-operative societies, and also that experienced co-operators should be called to help in the settlement of debts due to societies. We believe there is need for this service.

**Handloom Weavers' Provincial Co-operative Society.**

We are glad to note that the Madras Handloom Weavers' Provincial Co-operative Society has begun to work in right earnest. The first meeting of its General Body and that of the Board of Directors were held on the 12th August at the office of the Director of Industries. At the latter, Diwan Bahadur T. A. Ramalinga Chettiar was elected as President, Mr. M. Subbaraya Aiyar as Vice-President and Diwan Bahadur M. Appadurai Pillai as Treasurer of the Society, and an Executive Committee of nine persons, including the ex-officio official members, was also appointed. Mr. Green, Director of Industries, who presided over the General Body meeting, made a very interesting speech, which we have reproduced elsewhere. He said that during the last ten years the annual consumption of yarn by the mills in India had risen from 347 million lbs. to 527 million lbs., or by 52 per cent, and that the yarn consumed by the handlooms had risen from 255 million lbs. to 344 million lbs., or by 35 per cent. These increases, he said, had taken place at the expense of the imported foreign cloth—a fact that should have been gratifying to his bearers. He also said that in Madras Presidency enquiry showed that, in keeping more or less with the increase in the consumption of yarn, there was an increase in the number of persons engaged in the industry and also in the number of looms. According to the statistics collected by the Revenue authorities, he said further, out of 316,276 handlooms at work in this Presidency as many as 289,440 were fitted up with fly-shuttles; which, when allowance is made for certain kinds of fabrics for which the fly-shuttle is not suitable and for kumbli and mat looms, would show that they have been introduced to the fullest extent. If the accuracy of these figures may be trusted—we confess we have a doubt about it—then the peripatetic weaving parties, which were instituted in 1913, are entitled to take credit for it. Mr. Green made another surprising statement—that a weaver has generally to manage for four days on the earnings of one day. “What he lacks therefore is continuity of employment. Secondly, he has to borrow money for the purchase of yarn often at exorbitant rates of interest. Thirdly, as pointed out by the Tariff Board, the price which the handloom weaver has to pay for his yarn in up-country centres is considerably in excess of the price of yarn in, and the freight from, Bombay to those centres. Fourthly, as he has no marketing organisation, he has to sell his goods through middlemen who charge heavy commissions. Lastly, his designs are often out of date and he is unable to meet the changing needs and

fashions of the consumers of his products." When these defects are removed, the handloom industry will be able quite well to stand competition with the mill industry. The Madras Handloom Weavers' Provincial Co-operative Society has rightly conceived it as its mission to remove these defects. It proposes to have on its staff a marketing officer, a designer and district supervisors of co-operative societies. The work will be done chiefly through affiliated co-operative societies of weavers. Wishing the society every success, co-operators will watch its progress with the keenest interest.

### **Pudukottah Town Bank.**

The Pudukottah Town Bank is to be congratulated not only on having completed its twenty-five years of public service but also on being able to get Sir Alexander Tottenham, the Administrator of the State, to inaugurate its Silver Jubilee celebration and the Rt. Hon. V. S. Srinivasa Sastri to preside over it. It started life so humbly that its office was located rent free 'in the pial of the then Secretary's house and he was Secretary, clerk and peon all rolled into one.' At present it has more than 2,000 members, a reserve fund of more than Rs. 1 lakh and deposits of Rs. 7.75 lakhs, though its paid up share capital is less than Rs. 14,000, a building of its own in addition to a considerable building fund and a large common good fund. Its reserve fund is believed to be the largest of any urban bank in South India, while the rates of interest offered by it on fixed deposits and those charged on lendings are the lowest. It is certainly one of the most successful societies in South India.

*Mr. G. Sundaresa Aiyar honoured.*

Sir Alexander made the very true observation that for the success of a co-operative institution the all-important factor was the human element and that technical details of method and organisation were but secondary factors. The Pudukottah Town Bank has been undoubtedly fortunate in respect of its human element—we are told there has never been a clash among the members of its board of management. Nonetheless it is true that the maker of the Bank, its life and soul, as he has been aptly described, is Mr. G. Sundaresa Aiyar who was its honorary Secretary from the beginning until it completed its 25 years and resigned the office recently. We are glad to note that the co-operators as well as the public of Pudukottah have handsomely recognised his very valuable services. In connection with the Silver Jubilee celebrations, the Rt. Hon. V. S. Srinivasa Sastri

had much pleasure in unveiling a portrait of his in oil colours in the Bank premises, and later a committee of hosts organised a tea party for him at which the Administrator of the State, Sir A. Tottenham, presented him on behalf of the hosts a silver tea set. Though Mr. Sundaresa Aiyar has ceased to be the Secretary, we have no doubt that his interest in the Bank continues to be as keen as ever and that his services in other capacities will be always available to it. We wish him and the Town Bank a further long period of glorious co-operative service.

*Mr. Sastri's observations.*

Mr. Sastri, who is one of the fourteen original members of the Triplicane Stores and was its President for some three years, drew upon his experience of that institution and of others to impress upon his hearers certain conditions which are essential for the successful working of democratic institutions like co-operative societies. The true democrat was one, he said, who recognised that public work had an indefeasible claim on his time and energy and who attended to the business of an institution not only on ornamental or exciting occasions but also when the business was colourless and drab. Then he pointed out a 'dangerous stage' which successful institutions like the Pudukottah Town Bank soon reach. A young man, with the help of others works devotedly for an institution, wins public confidence for it, makes a success of it and also obtains public recognition for his services. He receives some kind of honour or a fair amount of honorarium. That arouses the envy of others who were hitherto indifferent towards the institution and who now try to push him out of it, thus preventing him from reaping the fruits of his labours. That is the dangerous stage for the institution, for apart from doing injustice to the person who built it up, they often bring about its very ruin. Mr. Sastri did very well to dwell on this weakness of our public life. Next he referred to the habit which some people develop of making unscrupulous accusations at general body meetings against the management in utter ignorance of real facts. "Men here, men there, unbearded boys in one corner—all of them stand up and say all sorts of things, indulge in foul abuse, showing how freedom of speech can become a license of speech and how good people who are used to refined and polite ways of business find it impossible to go on.....The pleasure, the joy—the unholy joy—that they seem to take in pulling down, in hitting, no matter whether above or below the belt—that is the melancholy feature of many of these institutions". But there is an 'even more melancholy aspect, viz., the good man who remains silent, the man who knows you and can put in a word in your favour but who hangs back and will not strike a blow in defence of the conscientious worker. Such good men form the majority of our population and they constitute a drag on democracy, said Mr. Sastri. We trust that these mature observations of one of our most distinguished public men will be treasured up by our co-operators.

## Debtors' Protection Act.

At the last meeting of the Madras Legislative Council an amendment was made to the Debtors' Protection Act by adding a section which fixes the maximum interest payable on secured debts at 9 per cent per annum and that on unsecured debts at 15 per cent. This is modelled on similar legislation recently adopted by the provinces of Bengal, Assam and the Central Provinces. This limit is applicable for loans which are less than Rs. 500 and has no retrospective effect. The effect of this amendment is that courts will presume, unless the contrary is proved, the rates of interest higher than 9 and 15 per cent for secured and unsecured debts respectively as excessive and give relief under the Usurious Loans Act. If the benefits of this piece of legislation should, however, reach the people for whom it is intended, its provisions should be made widely known by means of talks and leaflets, and this kind of propaganda is one which co-operative societies may usefully undertake for the benefit both of their poorer members and of others. Even in the city of Madras not to speak of smaller places, there are poor people like vegetable sellers and bottle vendors who borrow small sums for trade purposes at an interest of half anna per rupee per day, which works out at more than 1,000 per cent per annum. Then there are a large number of slum dwellers who borrow from Marwadis and other professional money-lenders, vaying sums on the pledge of vessels, ornaments etc., at rates of interest ranging from a quarter of an anna to two annas per rupee per month. Neither these borrowers nor in many cases the lenders are aware of the provisions of the Debtor's Protection Act and the Usurious Loans Act. Whose duty is it, if not the co-operator's, to enlighten them in this matter?

## Co-operative Education.

The July issue of the *Indian Co-operative Review* contains a number of informing articles on co-operative education written by experienced and competent writers from different provinces. For having brought together these articles in one number the *Review* deserves congratulations and also the thanks of co-operators. These articles are of special value just at present as the Government of India has made generous grants to the provinces for the purpose of co-operative education, the lack of which has been strongly criticised by the Royal Commission on Agriculture and the Central Banking Enquiry Committee, not to speak of co-operative committees, as constituting the weakest spot in the co-operative movement in our country. We are informed that our province will get a sum of Rs. 3½ lakhs each year for a period of five years and that one lakh out of it is earmarked for the education of the masses, that is, the members of societies. In order that the greatest benefit may be derived from the expenditure of this amount, it is necessary that both officials and non-officials should put their heads together and evolve a programme in the carrying out of which they should both have their proper

shares. There are provincial co-operative institutes in almost all provinces whose special responsibility it is to think out schemes for the education of co-operative employees as well as the members. While these bodies in collaboration with the Department have been able more or less satisfactorily to provide training for supervisors, inspectors and other employees of societies, they have not been able to do anything appreciable in the matter of the education of the members of societies—chiefly for lack of funds. Now that the Government of India has made funds available, the most suitable methods, which may differ from province to province, have to be discovered. Pamphlets, leaflets, magic lantern slides, the cinema and the theatre should all be employed, and a certain amount of money will have to be spent in securing the attendance of the member at these instructional meetings. In the scheme proposed by him for Bengal, Mr. A. M. Arshad Ali, Officiating Registrar of Co-operative Societies, Bengal, suggests that a daily allowance of annas eight per head should be offered for attending the classes. An alternative is to provide free boarding and lodging, as was done by District Federations in our province some years ago. It is easy to be critical about this expenditure. But is it not equally easy to view in the same light the expenditure incurred by Government or private institutions on the travelling of their officers and other servants? The great thing is to impart to the member the spirit as well as the principles of co-operation, and no legitimate expenditure incurred for it should be grudged.

### The C. W. S. and Indian Visitors.

It was a happy idea of the English and Scottish Joint Co-operative Wholesale Society to entertain at luncheon the distinguished visitors from India and Ceylon who attended Their Majesties' Silver Jubilee celebrations. In welcoming the guests Mr. R. Fleming, the Chairman, said that the Co-operative Wholesale Society took one-fifth of the tea exported from India and Ceylon, in addition to other produce. Another speaker conveyed the information to the guests that the English and Scottish Co-operative Wholesale Society owned in India 32 tea estates covering 28,000 acres of land and employing 10,000 workers, and in Ceylon 12 estates, covering 5,000 acres and employing 3,200 workers, and that one of the most up-to-date tea factories in the world was the factory in the Iyerpadi Estate in South India owned by the Co-operative Wholesale Society. The workers were provided with housing accommodation, free medical treatment, schools for children and stores where provisions could be purchased at cost price. Speaking on behalf of India, His Highness the Jam Saheb of Nawanagar and the High Commissioner for India paid tributes to the Co-operative Wholesale Society for its excellent treatment of its labour, and the Jam Saheb indeed went so far as to say that if all employers followed the example of the Co-operative Wholesale Society there would be no trouble in the world. Why,

that exactly is the object of the Co-operative movement—that there should be no trouble between employer and employed—in fact, that there should be no such distinction and difference of interests between them, as far as we co-operators can order things. If, as a result of this meeting, even a few of these distinguished Indian visitors have been able to grasp the ideal of co-operation and to get enthusiastic about it, the trouble taken by the Co-operative Wholesale Society is amply repaid and it will also have done a distinct piece of service to India. We hope the example of the Co-operative Wholesale Society will be followed by the great co-operative institutions of other countries.

### Articles in this Number.

We venture to think that the articles published in this issue of our *Journal* will be pronounced to be specially interesting by co-operators in this province. Mr Ramadas Pantulu has expressed the view that the need for a separate central housing society is not clear, that the Provincial Bank and the Central Banks may very well finance primary housing societies and that unless Government in some manner backs up the debentures which the proposed central housing society is intended to issue, they are not likely to prove a success nor the central society likely to fulfil its purpose. We have no doubt that his views will receive at the hands of the authorities the consideration which is due to his unrivalled position among non-official co-operators in this country. Diwan Bahadur Deivasikhamani Mudaliar's article on building societies in England is informing and should prove suggestive to our building societies. At the end of his readable article on the history of federations in our province, Mr Yegnanarayana Aiyar promises to point out its lessons to our Bombay brethren. Not only they but our brethren here also would like to know them and we hope he will oblige us all soon. Rao Sahib M. S. Seshachala Aiyar has put in a vigorous plea on behalf of the supervising union and pointed out the causes which in his opinion have led to its present inefficiency. The sample budget that he has given is most convincing. If the supervising union is a useful institution, the funds needed for its upkeep must be found by the societies and the Government. Rao Bahadur A. Vedachala Aiyar, a former Register of Co-operative Societies in our province, points out the lack of an organisation to provide long term credit to the agriculturists for purposes other than those for which the land mortgage bank caters and has suggested a scheme as a basis for discussion. If it be admitted that it is the duty of the co-operative movement to create within itself facilities for the satisfaction of all the legitimate needs of co-operators, either an institution of the kind suggested by Mr. Vedachala Aiyar must be created or the societies should be permitted to issue long term loans under suitable restrictions as of old.

# The Madras Provincial Co-operative House-Building Society, Ltd.

BY MR. V. RAMADAS PANTULU.

## NEED FOR A SEPARATE FINANCING ORGANISATION.

The proposed Provincial Co-operative Building Society is essentially a new Provincial Co-operative Credit Bank to finance house building societies, which in their turn are mainly lending societies on a plan of individual ownership to middle class people ; in other words, it is a bank intended to step into the void created by the Government withdrawing from the field. The other functions of the Society appear to be mainly of a subsidiary and advisory character. The need for a central building society would have been clear if it was part of a comprehensive scheme to promote house-building schemes in the province, providing *inter-alia* for housing societies for labour and rural housing societies on plans other than individual ownership also.

The housing needs of industrial workers, consistent with their capacity to pay for them, cannot obviously be met on the existing or proposed new plan. It requires a collectivist effort of a different type altogether. A housing society may, in my opinion, be usefully organised on a truly co-operative plan for the purpose of constructing a block of buildings consisting of a large number of tenements, capable of accommodating a number of families of workers as tenants thereof, on payment of moderate rents. The terms of tenancy may be so arranged as to permit the tenants if so desired, to eventually become the owners of the tenements in their occupation or to merely occupy them as ordinary tenants of the society so long as they continue to pay the prescribed rent. Co-operators elsewhere have indeed demonstrated the possibility of a scheme of collective housing of workers. The Amalgamated Clothing Workers of America who organised what is known as "Amalgamated Housing Corporation" completed a five storied building in a New York suburban area with 1185 rooms in which 303 working families are accommodated. The financial aspects of the American scheme are of more immediate interest to us than a description of the splendid physical features of the house, for the American standards of luxury are not attainable by us. The scheme was financed by the famous Metropolitan



Insurance Company of whose varied and beneficent activities co-operators in India are, I have no doubt, aware. It lent the bulk of the money required for the construction at 5 per cent to the Amalgamated Housing Corporation. The acquisition of an apartment by a tenant required an investment of a certain sum of money in the form of stock in the A. H. Corporation. As required by the State Housing Law, the stock-holder tenants were obliged to supply one-third of the capital necessary for construction of the apartment; to help workers to thus become stock-holders, a special fund was created with the help of certain credit organisations to advance loans to the stock-holders for the purchase of the stock. Any worker may buy stock in the A. H. Corporation and obtain an apartment. He may sell his stock at any time, but only to the Corporation, and give up his apartments. No profits can be made on such sale, only the original amount invested on the stock being returned to him. The A. H. Corporation also obtained exemptions from the city and State taxes and was thus enabled to fix a low rental. There is nothing in these financial arrangements which can be said to be beyond the resources of the people of cities in India. What co-operators in a suburb of New York did, the co-operators of Madras can attempt to do.

But in view of the very limited nature of the functions proposed to be assigned to the contemplated Central Society in Madras, mainly of a financial nature, I feel that the question whether there is need for what I may call a separate credit society will bear further examination. In the note on the need for and the constitution of the proposed Society circulated by the Registrar, it is said that "the question has been raised, discussed and decided that the existing co-operative financing banks cannot finance building societies." It is not stated when and where the question was discussed and by whom it was decided in that manner. So far as I am aware, non-official co-operators have not in the past come to any such decision. Before the Government began to finance housing societies, co-operative banks have been financing house-building societies. In fact, one of the most successful building societies in Bombay, namely, the Saraswat Housing Society was financed at the inception by the Shamrao Vithal Co-operative Bank which charged no more than 5 per cent on its loans. There are instances even now where building societies are financed by co-operative banks, and proposals from housing societies in this province are being now received by the co-operative banks to take up financing of housing societies. In Germany and

Italy, I understand, co-operative banks make advances to their members for building houses among other purposes. The Central Land Mortgage Bank may not be expected to finance the housing societies owing to its special constitution and limitations imposed by the Government guarantee, though it is certainly in a position to raise long term funds for the purpose. But the Madras Provincial Co-operative Bank with its standing and prestige in the money market and some of the well-established central banks, which are under no such limitations, should find no difficulty in raising long term money to finance building societies, when the Government withdraws from the field.

Such funds can, in my opinion, be raised by the Madras Provincial Co-operative Bank even by uncovered debentures without giving any prior or specific charge on its assets to the debenture-holders. In undertaking such a function, the Madras Provincial Co-operative Bank will supplement and not supplant the credit which primary housing societies may raise locally or otherwise. It is easy to overdo the idea of a separate Provincial Co-operative Credit Bank for each variety of co-operative credit and the proposed Bank seems to me to be an instance of it. If co-operative industrial concerns, for instance, require long term funds in future, will another Provincial Credit Bank be started for that purpose? It will be, in my opinion, a pity if the services of the Madras Provincial Co-operative Bank, with its thirty years' standing and prestige and its affiliated Central Banks, are not availed of for such financial purposes.

It is true that it has been generally agreed that co-operative credit banks cannot afford to give long term loans out of their short term deposits. It was one of the reasons for starting land mortgage banks. But it is not by any means the only reason. If that was the only reason, suitable devices could have been found for segregating the two kinds of credit, both in regard to raising the capital and distributing it, through the existing credit organisations. In fact, the present Joint Registrar, Diwan Bahadur K. Deivasikamani Mudaliar, once formulated an excellent scheme for such segregation and for dispensing both short and long term rural credit through a single set of co-operative credit organisations. But when credit is to be disbursed to more or less the same class of borrowers, namely, agriculturists who borrow without discrimination for short, intermediate and long term purposes, from the same organisations the

difficulties in the way of differentiating, in practice, between these loans for the several purposes and assessing the credit worthiness and repaying capacity of the borrowers in respect of each, appeared to be almost insurmountable and therefore there was practical unanimity of opinion on the necessity to form separate land mortgage banks with their own apex organisation for dispensing long term agricultural credit. But that in itself does not seem to me to be a sufficient justification to start another apex credit bank for financing a different set of societies, namely, the house building societies. It does not appear to me that the question of providing funds for housing societies stands on the same footing as providing different forms of co-operative rural credit to agriculturists for different purposes. I, therefore, feel that the need for a separate financing agency is not made out.

#### THE PROPOSED SCHEME—ITS FINANCIAL ASPECT.

The financial aspect, of the scheme is thus set out in the note circulated by the Registrar: "After careful consideration the Registrar has come to the conclusion that the only way in which money can be raised for building societies is by the formation of a Central Co-operative Building Society in Madras which will raise long term money by means of debentures secured on the mortgages of houses transferred to it by primary building societies. The building societies in the Presidency may combine together and form a Central Society. Unlike the Central Land Mortgage Bank which can get readily substantial landed property as security for the debentures issued by it, the proposed society cannot have ready-made property to begin with on the security of which it can float debentures. *The security for the debentures will be the houses to be constructed after the loans are given.* It is, therefore, necessary that some houses will have to be brought into existence before any money can be raised by way of debentures. For this purpose a substantial amount of money will have to be collected in the shape of share capital. It is, therefore, proposed that the Central Society should admit a number of individuals who can put their money as investment."

Let us examine the financial implication of this scheme:—

(i) *Two-fold division of finance*:—If I understand the scheme correctly, its finances in the initial stages are divided into two heads—pre-construction finance and post-construction finance—the former derived from share capital and the latter from debenture issue. In

other words, I take it to mean that the loans which are given from share capital for the early constructions will be recouped from the debenture money raised on the mortgage of the very same houses after they are completed; and the share capital so recouped will be utilised for fresh constructions. It seems to me that under this arrangement, coupled with the restriction that the value of debentures issued and outstanding at any time shall not exceed the value of the loans given and outstanding, it will take years to raise adequate funds for the promotion of any building schemes worth the name in a large province like this. It is easy to exaggerate the volume of funds that can be raised in this manner by working out mathematical formulae based on arithmetical or geometrical progression.

Next there is the question of the nature of the security which the central society takes for the pre-construction loans advanced to building societies from its share capital and of that which the latter take from their members in respect of the individual loans disbursed from the funds so received from the Central Society. Will they be advanced on purely personal security or on some sort of lien, charge or prospective mortgage of the sites and houses to be built thereon? Again, what is the manner in which these securities, collective in the case of the Central Society and individual in the case of the primary housing societies, taken for initial loans given from share capital for construction, will be released later in order to make each house, as soon as its construction is completed, available for first mortgages which have to back up the debentures? These and other details are not clear from the scheme and require elucidation. The numerous practical difficulties now experienced in the scheme of finance by Government will become further complicated in the proposed scheme as a result of the differentiation between pre-construction finance and post-construction finance and between the stages for investment of share capital and debenture money on the building schemes.

(ii) *Share Capital*:—I consider that the prospect of non-borrowing individuals putting in substantial share capital is somewhat problematical. It will take considerable time for share capital to yield any tangible dividend. I feel that the maximum fixed for dividend on share capital ( $7\frac{1}{2}$  per cent) can hardly be expected to be reached in practice. Moreover, so far as my information goes, in schemes for raising capital for housing societies the rate of dividend on the share capital, generally speaking, rarely exceeds that of the

interest paid on debentures or building bonds or other outside borrowings. If members invest money in the society as share capital, which they again borrow, presumably at much less than  $7\frac{1}{2}$  per cent, they have no justification to expect in a co-operative concern a higher yield on their share money which is reloaned to them, than what the outside investor gets on his debentures though in a commercial concern it may be possible and permissible. They cannot, at any rate, have loans at low rates of interest from share capital as well as high dividends on such share capital. It will be undesirable to differentiate non-borrowing individuals from the borrowing societies in the matter of dividend. I dislike the idea of preference share-holding in co-operative concerns. Even if there is no such objection in principle for investment in the shares of the proposed Provincial Society by non-borrowing capitalistic class being made attractive by offering high preferential dividends to them, which may go up to  $7\frac{1}{2}$  per cent, I do not think that it will be in the best interests of the Society to do so; such costly capital will be a distinct disadvantage for obvious reasons. In any case, I think the matter requires further examination. I am sure that investigations will show that such disparity between the yield on shares and debentures does not and should not usually exist in regard to capital raised for housing societies.

(iii) *Debentures*:—I presume that debenture-issue will be centralised in the proposed Provincial Society on the model of the Central Land Mortgage Bank. This is not, however, made clear, nor is it made clear whether the primary building societies affiliated to it can also raise loans at least otherwise than by debenture issue, in addition to the finance supplied by the central society. If such outside borrowing is totally prohibited, I feel that the financial responsibility undertaken by the central society to raise all the funds needed by the several primary house building societies may be too onerous for it to discharge, and to the extent that it cannot raise adequate funds, the activities of the primary societies must be crippled, even though local capital may be forthcoming to finance them and schemes of expansion of housing societies must wait till the Provincial Society can find the funds. The precise nature of the charge to be given in favour of the debenture-holders, the conditions under which individual mortgages executed in favour of the building societies and transferred to the central society may be discharged and the individual properties comprised in them freed

from liability for the debt due to the primary and the central societies, and other allied matters are not defined in the scheme circulated by the Registrar; and the public must know more about those vital details before they make up their mind about the utility and chances of success of the scheme.

It is easy to be over-optimistic about the success of the debentures. It is not merely the absence of Government guarantee that will make these debentures less attractive than those of the Central Land Mortgage Bank. Their ready marketability depends, among other things, on the facilities provided to recover the mortgage loans by which they are backed. In the absence of special legislation, the Provincial House-Building Society enjoys no such facilities and accumulation of overdues and slackness of collections in primary housing societies may mean the postponement of payment of interest to debenture-holders, and possibly of the principal, on due dates. At the present stage of the development of our land mortgage banks, I do not consider it advisable to create by legislation or other devices a new class of co-operative debentures which will compete with land mortgage debentures in the open market. I am therefore opposed to the idea of Government being requested at present to guarantee the interest or principal of these building society debentures as they have done in the case of the land mortgage debentures.

#### STATE AND OTHER AID.

From the report of the proceedings of the Conference of co-operators called by the Registrar on the 22nd July 1935 to explain the scheme, I find that more than one member, who participated in the discussion emphasised on the need to secure some form of assistance from Government and the local bodies. Such assistance falls under two heads, financial assistance to the proposed central society and assistance of various kinds to the primary building societies. So far as information is available regarding the working of housing societies elsewhere, it seems to be fairly evident that without some form of State aid and assistance from municipalities and local bodies, they cannot be made a success. It is hoped that similar aid will be forthcoming from our Provincial Government and Local Bodies.

## Federations, their rise and fall.\*

BY PROF. S. K. YEGNANARAYANA AIYAR.

As our brethern in Bombay are thinking of forming something like district federations of our province, which, as we know, have had their day and have now been scrapped, it is proposed in this article to give the history of the rise and fall of the district federations with the hope that it would throw some light on the intricate problem of supervision and its co-ordination. It is further proposed to restrict the field to federations only and not to say anything about the supervising unions except so far as they have a bearing on the problem of federations. The supervising union as a machinery for effective supervision is a fascinating subject by itself and its history is somewhat chequered and the record of its achievement differs in various provinces. So far as our province is concerned we have come to a stage when the justification for its very existence is questioned and it looks as if it would go the way of federations. However interesting the subject may be, it is not proposed to deal with that but to confine our attention to federations only.

It is well to bear in mind the distinction between inspection and supervision, a distinction which was made much of by federationists and was belittled by anti-federationists. The Townsend Committee which set their seal of approval on federations, have in their report brought out this distinction and they add that "the failure to distinguish inspection from supervision, and the rights and responsibilities involved in this connection, have been largely responsible for the friction, amounting in some cases to ill-feeling, which has been gradually growing between different co-operative organisations in certain districts," and they go on to explain the difference. They say that "inspection involves an enquiry into the financial status of a society. This is obviously within the rights of

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\*This article is based upon materials gathered exclusively from the annual reports of the Registrar of Co-operative Societies and not from any other source, such as articles that have appeared in the 'Madras Journal of Co-operation' from time to time on the question of the true function of federation and the papers that were contributed to annual co-operative conferences held previously which would throw a flood of light on this question from the non-official point of view. But these articles and notes are likely to be tinged with the personal opinions of the writers, whereas, the annual reports of the Registrar are expected to be mere statement of facts regarding the movement with occasional general observations by the Head of the Department and are, therefore, better materials to base one's observations upon.

## FEDERATIONS, THEIR RISE AND FALL

the financing central banks : we go further, and place it amongst the banks' responsibilities, whereas supervision involves constant administrative assistance in routine work, advice on financial matters, and general guidance, both from the business and the co-operative aspects. Unions formed and controlled by the societies themselves provide the ideal organisations for this purpose".

As early as 1910-11 the then Registrar reported about the formation of a supervising union at Uttiramallur in Chingleput District and expressed a hope that, with the passing of the Amending Act then in contemplation, local unions would be formed. At that time there was no definiteness about the functions of these unions, in fact there were three distinct functions of unions contemplated. Primary societies were expected to group themselves into small unions for financing, supervisory and guaranteeing purposes, and eventually three types of unions—banking unions, supervising unions and guaranteeing unions—were started. In course of time the idea of guaranteeing unions, though it found favour elsewhere, was found not quite workable and so given up in this Province. The idea of banking union, functioning over a much smaller area than the district, continued to be popular for a short while only. It was replaced by the idea of district or central banks catering to the financial needs of all the societies in the district, so that in course of time the supervising union alone was left in the field. There were certain banking unions which undertook supervision as well and the Madura-Ramnad Central Co-operative Bank started its career with this double function. Even as early as 1911-12 the Registrar reported\* that it was desirable to have district unions whose running cost would fall uniformly (in proportion to their income) on all the societies within a district and for the management of which suitable men could generally be found at district or taluk headquarters. It was held that this district union scheme would not clash with the local union idea. In the words of the Registrar, "a district union may be encouraged to form a local union wherever there are a number of societies situated within a compact area, but the 'running-cost' and the 'driving power' will have to be supplied to the local by the district union."

For reasons not quite obvious, this idea did not fructify and it was only in the year 1918-19 that two districts formed their district federations; and they were North Arcot and Salem. They were pure type federations, *i.e.*, federations of unions, and the district bank

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\* Para 17 of his report.



had no seat on the management of the federation. Even after the formation of these two unions, the rate of progress of federations was rather slow. In 1922-23 one more federation was registered and in the following years federations were formed in twos and threes, the largest number of them being formed in 1925-26. Nine new federations were registered in that year bringing the total to 19. In the year 1928-29 another 6 were registered bringing the total to 25, so that, at the end of that year each district had its own federation. But unfortunately, decay set in immediately after this highest point in the growth was reached. In 1929-30 one of the earliest federations to be registered, Salem, was scrapped because the District Bank undertook by means of its field staff and the executive section of the office to supervise the societies forming its constituents, and in the following years one federation after another was dis-registered, so that at the end of 1933-34, the latest year for which Registrar's report has been published, there were only 8; and we are credibly informed that at the end of 1934-35 6 of these 8 have been dis-registered, so that on the 1st of July 1935 there were only 2 federations in the province, that of North Arcot and of Chingleput.

#### *Constitution of Federations.*

As was stated before, the two first federations were pure type federations, i.e., federations of local supervising unions only. Co-operators of this province will remember that in many supervising unions flourishing urban banks situated within that area were not members of the union; and the question arose as to whether these urban banks could not be brought into the federation. In some cases they were brought in directly and in many cases they were induced to join the local union of their area and thus get an opportunity to come into the federation. The next problem with regard to the constitution of the federation was whether the local district bank should be represented on the federation or not. There were certain federationists who held that finance and supervision should be kept entirely apart and that the federation, whose function was supervision, ought not to be overshadowed by any representative of the financing bank being given a seat on its management. But in course of time this extreme position was given up because the federation depended almost entirely upon the financing bank for its sinews of war. The supervision fund contributed by primary societies was collected by the financing bank and made over to the federation, and the bank also gave a rebate on the interest collected from primary societies to the

federation as its contribution, so that the main source of the income of the federation came from the bank and therefore the bank had to be given a place in the management of the federation. The Townsend Committee set its seal of approval on this point and recommended that "where central banks are not represented on federations, we consider that they should be given adequate representation on both the general body and the board of management. Some of us desire to go further, and to lay down a definite percentage of  $33\frac{1}{3}$  per cent of the seats on these bodies which should be allotted to banks. Most of us however think it undesirable to do so; so greatly do the circumstances of each district vary in this matter. But we all agree in the opinion that, in deciding what representation should be given on federations to banks, the important duties we propose to entrust to the former bodies should be borne in mind."

The question of the most suitable constitution for district federation was the subject of considerable discussion and a conference was called by the Registrar, of representatives of the P. C. U., of Federations, Central Urban Bank and of district banks on the 7th March 1925, and this conference decided that federations must admit central banks and urban banks, and as a result of the discussion and the conclusion arrived at, a new set of model by-laws for district federations was drawn up.

Another minor question cropped up at a later stage as to whether prominent co-operators of the district, who could not get into the federation through the ordinary channel, should not be co-opted; and in many districts the by-laws were changed as to enable them to co-opt such individuals, so that, when federations were in full working order, their constitution provided for the representation of all co-operative institutions of the district either directly as in the case of district banks or indirectly through unions and for the co-option of prominent co-operators of the district. So far as the constitution is concerned, no objection could be taken; it was quite comprehensive and catholic.

#### *The Function of Federation.*

The chief object of these federations, "is the co-ordination of the work of the local unions. They are intended to deal with matters of common interest to the affiliated unions, to undertake the education of local unions and to organise special types of

societies.”\* They were also in charge directly of societies not affiliated to any local supervising union. Over and above this work of supervision, direct and indirect, they took up the very responsible task of educating the Panchayatdars in the principles of co-operation and the Government was pleased to give a subsidy of Rs. 1,000 to two federations which took up this work in 1924-25. In course of time this branch of their activity, the holding of Panchayatdars' classes, became a chief item of their work and almost every district federation undertook this and the Government was pleased to give a subsidy at the rate of Rs. 1,000 to all federations that undertook this work. In one year the amount so spent amounted to over Rs. 16,000. Some federations supplemented this educational work by publishing co-operative magazines and this policy was adopted, naturally, in the two districts of our province which are linguistically apart from the rest, *i.e.*, Malabar and South Kanara. Another useful work done by the federation was the preparation of annual statistics, which was hitherto compiled by the Department, and the Registrar refers with satisfaction in his report for 1925-26 and of the next year that this work taken from departmental officers has given them ample opportunities for concentrating their attention upon audit, which was their legitimate field.

So far as we can gather from the reports, federations seem to have done their work satisfactorily enough, *i.e.*, the work of co-ordinating the activities of supervising unions and thereby strengthening them, of education and propaganda in the district and of organisation of new type of societies.

#### *How they worked.*

The co-ordination of the work of these unions by the federation was done by pooling all the supervision fund in the federation and the federation passing the budget for each supervising union. This task was not so easy. Flourishing unions that were able to collect enough funds to maintain their financing staff efficiently complained that their power of framing their own budgets was being taken away; but poorer unions always stood to gain by this arrangement, as federations saw to it that every union was given a minimum amount which would enable it to run its establishment with efficiency. The federation also took the step of entrusting co-ordination work to a full-time executive officer and in many cases the executive officers were Departmental officers lent to federations

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\* Registrar's Report for 1923-24. Para 1'

## FEDERATIONS, THEIR RISE AND FALL

The centralisation of supervision work under federation was effected by putting all the union supervisors on a district cadre and the federation reserving to itself the power of appointing them and transferring them. The Managing Committee of the union was given only the power of exercising a general control over the supervisor assigned to its area and this, in course of time, became a fruitful source of discontent on the part of the union authorities.

The rub came when central banks, realising that owing to various reasons, into which we need not go at present, their collection was not as steady as before and overdues were mounting, resolved to have a new section called 'the administrative section' which would look into the affairs of constituent societies and try its best to pull them up. In course of time the activities of this administrative section covered the same field as that of the federation, except that the bank's officers were expected to inspect, whereas the federation's officers were expected to supervise. Some prominent co-operators held that this distinction between inspection and supervision was a distinction without a difference and therefore, if the executive section were to function properly, there was no need for federations. They became practically a fifth wheel of the coach. This hitch is first noticed in the administration report of 1930-31. By that time, it is interesting to note, a new Registrar had taken charge who was frank enough to admit that he was no believer in the need for federations.\* "With more experience" says Mr. Strathie, "it is now possible to speak more definitely on the vexed question of the relative value of Federations and Bank Administrative Sections. Personally, I am quite convinced that it was never desirable to create separate bodies to attend to supervision and propaganda. This involved additional and unnecessary expenditure and, in my opinion, there was never any justification for the view that Central Banks, if entrusted with these functions, would tend to lay undue stress on the financial aspect. Directors of Central Banks are usually keen co-operators—not mere financiers—and I have never seen any signs of their ignoring the co-operative side of their work."

It was believed by many that wherever there was a rub between a district bank and a federation, it was due to the fact that the federation was manned by people who failed to get seats on the management of the district banks and these disappointed co-operators tried to make

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\*Registrar's Report for 1930-31. Page 32.

the federation take an attitude not of harmony and co-operation, but of distrust towards and non-co-operation with the district banks.

The question therefore became a serious problem, whether the federations were to be kept on or whether they should not be merged with the administrative section of the central banks. This vexed question was discussed at the Bankers' Conference of April 1932 and a sort of compromising conclusion was arrived at, that the work of rectification and consolidation, which was the main work, should be entrusted to federations, provided they worked in harmony with the central banks. But the real difficulty, described by the Registrar as a rock on which both federations and administrative sections of central banks may founder, was the difficulty of getting unions to agree to centralised control of staff and finance, as was necessary in either of the two schemes whether of the bank taking up supervision through its administrative section, or federation doing it. Many unions, in the words of the Registrar, "are unwilling to surrender what they call their 'independence,' some Union directors have behaved as if the deprivation of their power of appointing supervisors meant the end of their power to do good work, as if they sought and retained office merely for the patronage they secured."

The federations came into power and were registered in large numbers during the term of a Registrar who believed in their usefulness. But later on in their actual working, the clash between them and the district bank became more and more acute. It was purely an accident that the Registrar, during these troublesome days, was one who had personally no faith in federations. Owing to the rivalry between the banks and federations on the one hand and between federations and unions on the other they came to grief. This is the history of federations in this province. We shall, if necessary, try to point out the lessons which our brethren in Bombay may be able to learn from the rise and fall of federations in Madras.

## Co-operative Unions and Central Banks.

BY RAO SAHEB M. S. SESHACHALAM IYER.

Two articles have appeared in the *Hindu* dated 22-6-35 and 20-7-35 written by a "Co-operator" suggesting the abolition of the Supervising Unions and carrying out several reforms in the constitution and working of the Central Banks. Co-operators in general will agree with him in his views of the present deplorable condition of almost all the Co-operative Institutions from top to toe and his tracing out of the causes that led to this state of affairs. But, the remedy suggested by him is not based upon broad facts and considerations of possibilities. He wants to do away with the Supervising Unions altogether and all their functions to be discharged by the Central Banks themselves. He wants to abolish the Unions not because by their constitution they could not discharge the duties undertaken by them, not because they were from the very beginning inefficient and hence found to be out of place, not because they are found to be unnecessary or superfluous, but because many of them failed to discharge their duties properly. He also theorises that the real cause of the failure of the Unions was due to the non-realisation of a natural fact that the debtors, a body of them especially with no repaying capacity and faced with economic distress as at present, are unsuited to supervise their own affairs, much less to protect the interest of the creditor banks. The theory seems to be sound as a theory but as a business proposition in the Co-operative Movement I think it is non-workable. I would ask the writer of the article to extend the theory to the Central Banks also, of whom he has said that there is a general belief that the amount of bad debts involved in many cases is such as to absorb the whole of the reserve fund and a very large portion, if not, the whole of the share capital of the financing bank. These financing banks are said to be thoroughly mismanaged and drastic remedies are suggested by the writer of the article. It is also a fact known to co-operators that these financing banks are not able to give loans to their affiliated societies and there are large surpluses of funds unemployed in each bank. The Provincial Bank, the apex co-operative financial institution of the Presidency, has not been able to lend more than 7 lakhs of rupees to the Co-operative Central Banks out of several crores of

its resources. The Bank, has now in its anxiety to find an outlet for the surpluses taken up the financing of the sugar mills, offering large loans for Bihar relief for a period of 15 years and more and investing funds in Land Mortgage Bank Debentures for 20 years etc. If the views of the "Co-operator" that inefficiency should be punished with abolition be extended to Central Banks, I think, he will make out a strong case for the liquidation of Central Banks also. As a matter of fact, the present inefficiency and incapacity of the Unions and Agricultural Co-operative Societies are mainly brought about by the unhealthy and undesirable propaganda and the ill-advised procedure adopted by some of the Central Banks.

The Unions were of late split up into small units with no finance or man power and their entire control was taken up by the so-called Federations and they were spoon-fed. It is no wonder that men with knowledge and self-respect left them and the scheme of Supervising Unions failed miserably. The Unions even in the view of the "Co-operator" functioned satisfactorily for a time under the able guidance of the Deputy Collector Assistant Registrars. He also quotes the views of Mr. Strathie, the former Registrar of Co-operative Societies. Mr. Strathie says, "My view is that the Supervising Union system is an excellent one, in fact the best possible if only suitable men are available to work it. It is impossible to over estimate the good done by the old fashioned Union President, the man who knew the needs and character of every member in the area and who was universally respected." Does the "Co-operator" mean that such men are not now available to run the Unions and the Unions are not capable of reform? Centralisation of finance and decentralisation of supervision are the healthy maxims in co-operation. But the whole inefficiency was brought about by carrying this decentralisation process too far as if with a vengeance and splitting up unions into very small units incapable of any active work. It is an admitted fact that the Unions have failed, and they were made to fail by curtailing their liberties gradually and reducing them to only nominal existence. This was what was prophesied and the expected has happened.

The Supervising Union is the only proper unit for a perfect system of supervision, and at the most it may have its jurisdiction of one taluk to give it the necessary finance and human material. The Central Bank is no substitute for a Union for purposes of supervision whatever may be the efficiency of its paid staff or the capacity of its

directors who are none other than the present governing body members of Unions. By its constitution, location and nature of business, it is unfit to take up original supervision in its hands without local knowledge. The field staff will have no local control and the local knowledge and personal supervision which is most important for the business of lending will never be available to a Central Bank and the advisory body suggested in the article is a mere apology. It may be asked, If the system of Union is so essential for the grant of and repayment of loans, why are there the very heavy overdues and bad debts?

"Co-operator" has rightly pictured the "past history" in his article on "Co-operative Supervising Unions" dated 22-6-'35 and it mostly applies to Central Banks also. Some of the Central Banks were used as communal propagandist institutions, societies were started as a net work for electioneering campaigns, Unions were multiplied in order to get partymen appointed as Honorary Assistant Registrars of whom one was given to each union, and loans were given on personal considerations and for acquiring support in elections. Banks and Unions were captured by such men as a place of honour and for influence and as a stepping stone to enter into local bodies. Investigation will show that bad debts are very large only in societies started after 1920. The failure of Unions may be attributed mainly to the following causes:—(1) Federations took up the entire responsibility of supervision and treated the Unions as mere toys. (2) Supervisors were appointed, paid and controlled by them and directions to them were given direct. (3) The entire Supervision Fund of the District was pooled together and major portion spent for the entertainment of an Executive Officer with a large establishment under him. Even though the Deputy Registrars' inspections and visits were intimated to Unions and their co-operation sought for, the visits of the Executive Officers were mostly unknown and their instructions to supervisors were given direct and never through the Unions. The Unions were given a petty sum of Rs. 100 to Rs. 150 per annum for their working expenses etc. A copy of the budget for 1934-35 allotted by a Federation for a Union consisting of 30 societies with 7 Governing body members and having a total transaction of more than 2½ lakhs in its affiliated societies is given below as a sample, for the information of "Co-operator" who has unjustifiably condemned the Unions and proposed their extinction.

Budget for 1934-35 for a Union: Clerk Rs. 60, rent Rs. 60, postage Rs. 24, stationery Rs. 10 and T. A. to Governing Body



members Rs. 15 Total Rs. 169. The amount actually spent on postage is Rs. 25 and that on books, forms etc. Rs. 27. The actual expenses of Governing Body members to attend a meeting is about R. 2-8-0 and if at least one meeting is held every month the T. A. itself will come to about Rs. 30. How can the office bearers or the Governing Body members be expected to visit societies and exercise supervision?

It is quite uncharitable on the part of anybody to condemn the Unions as failures in the light of the above explanations. The Unions were deprived of all of their resources, all their functions taken up by the Federation, they were actually starved and allowed to have a nominal existence; yet they are now made responsible for the failure of supervision over societies. Successive Registrars and leading Co-operators desired these change inspite of strong opposition from the Unions and the innocent Unions are made a scapegoat to be held responsible for the failure.

The inherent supervising capacity and facilities are there even now in the local Unions. Abolish the Federations and their spoon-feeding devices. Have one Union for each Taluk and avoid the patronising system of direct supervision by Banks or Federations. Allow a liberal rebate from Central Banks and bring in efficient human material by getting non-agricultural societies affiliated to Unions. Let the qualifications of Supervisors be prescribed and let the Unions appoint them. The Central Bank can help the Unions with a paid Manager for the Union if it is found necessary and he will be able to put the Union right and secure efficiency.

Loans must be given for a period of 10 to 20 years on the mortgage of immovables after proper scrutiny by the Central Banks and crop loans and loans on the pledge of produce must be largely resorted to. If the entire saleable produce of the members of societies is handed over to the societies, there will be no overdues. These things could not be attended to except by a local Union which has local knowledge and other facilities for close scrutiny.

I hope "Co-operator" will come forward with his suggestions of reforming the Unions, as he has done for Central Banks and spare them.

## Agricultural Industry—Long Term Credit.

BY RAO BAHADUR A. VEDACHALA IYER.

Co-operators, who are working in the non-official side of the movement, are, without almost any exception, stating in their speeches on public platforms, that the co-operative movement is providing two kinds of credit, one is short term credit and the other, long term credit. The former is provided by primary co-operative credit societies financed and now controlled by the district central banks with the Provincial Co-operative Bank, Madras, as the apex bank of the Presidency, and the latter form of credit is expected to be provided by the Land Mortgage Bank, Madras. The primary credit societies at one time attempted to finance agricultural credit repayable in 1 to 10 years but this was gradually interdicted on the ground that such long term credit should not be made available by district central banks which secured most of their working capital from short term deposit banking. They now confine themselves to short term loans repayable from 1 to 3 years. They are not allowed to give loans for various purposes which require a period of repayment extending over more than 3 years. The only possibility of the members of agricultural societies getting such long term credit is for them to borrow from private money lenders, banks and sahu-kars, and then to approach the Land Mortgage Bank for long term loan for debt redemption extending over 20 years, provided they have cultivable immovable property—especially wet lands with suitable repaying capacity. Where land mortgage banks have not been established, such long term credit agency is not available; where such banks (Land Mortgage) exist, they can take cognisance only of loans for redemption of prior debts and mortgages, for improvement of lands and for purchase of lands to secure economic holdings. There are various other purposes for which the agriculturists want loans repayable with reference to their repaying capacity in a period of over 3 years and less than 10 or 15 years. The agriculturist has to resort to private money lenders for such purposes. Is it desirable to allow this gap unfilled in the financing of the agricultural industry? Can the movement be said to have tackled the problem of long term credit completely? Which is more important—the redemption of past debts, or the grant of long term credit which will be productive or protective and which will not increase the agricultural indebtedness at high rates of interest?

Agricultural credit must be such as to enhance the income of the agriculturist from the industry. It should be available at easy rates of interest so as to avoid increased interest charges levied by private money lenders. This is an important question which the Registrar and the non-official co-operators might advisedly consider and find a proper solution for. Long term credit for other than debt redemption or for other purposes than those for which a land mortgage bank caters, should be dispensed by a bank (a separate institution), necessarily co-operative, which should have a large share capital and which must issue such a long term credit out of such share capital and must also look up to the Central Land Mortgage Bank for funds by negotiation of its mortgages.

This bank might negotiate its mortgages of immovable property with Central Land Mortgage Bank which ought to get powers to issue debentures on the strength of such mortgages transferred by such long term banks after close scrutiny.

Such arrangement to have a separate organisation for such a purpose is preferable to tacking this work and responsibility on to the Primary Land Mortgage Bank or to the central district credit bank. If co-operators meet together and recognise the gap in the credit system described above, it is not beyond their possibility to work out a safe and practicable arrangement.

I indicate below some details of the proposal. The district central bank will dispense credit repayable in 3 years, through rural credit societies on unlimited liability basis. It will control the work of the primaries either by its own agency or with the help of local unions aided by it with adequate staff and under its control. This is what is now being attempted. The Primary Land Mortgage Bank will cater for a taluk area or less and will take up debt redemption, loans for land purchase and land improvement, repayable in 20 years and financed by the Central Land Mortgage Bank which issues debentures with the guarantee of Government as regards principal and interest. Members will give share capital at 1/20 of the sum to be borrowed.

*The Taluk agricultural credit bank* will be for a taluk area and will deal with long term credit directly with the individual agriculturists for other purposes than debt redemption. The share capital of the bank should be a lakh of rupees contributable by ordinary shareholders (borrowing members) and preference share-holders. The

ordinary shares will be contributed by borrowing members to the extent of 1/15 of the amount to be lent. All loans shall be on the mortgage of immovable property. The maximum amount of loan admissible may be fixed at Rs. 600 and in special cases at Rs. 1,000. Ordinary shares may be Rs. 10 each in value and preference shares Rs. 50 each to be paid in lump with guaranteed dividend of 6 per cent. The bank can take long term deposits at rates not exceeding 6 per cent.

It may be permitted to borrow up to 5 times the paid up share capital and reserve, and such power can be raised to 8 times if and when necessary. The directorate may be composed of two-thirds preference shareholders and one-third borrowing members and ordinary shareholders. The lending rate may be fixed at 2 per cent over the rate at which the sums are borrowed. There need be no insistence on residential qualification of preference share-holders. All persons over 18 years of age holding cultivable lands can become members (ordinary share-holders) eligible for loan. Minors can become members (borrowing) through their guardians. Maximum dividend allowable may for the present be 7 per cent. Share capital may be made non-withdrawable but transfers will be allowed. The Executive Committee may consist of 5 persons of whom 2 will be from ordinary share-holders, 2 preference share-holders and one will be nominated by the Central Land Mortgage Bank or the Registrar. Debentures raised by the Central Land Mortgage Bank on the security of immovable property negotiated by this credit bank need not have Government guarantee.

This is a rough detail of the proposal. It can be altered suitably after discussion and in consultation with experts. The above will at least serve as the basis for discussion. I have only to emphasise the point that this question requires speedy solution. This scheme or any other suitable one can be tried as an experiment in any specified area where there is adequate human material. The taluk long-term credit bank can also be made to serve as a responsible agency of the district central bank for marketing and co-operative trade operations inclusive of loans on the pledge of produce.

## House Building Societies in England.

BY DIWAN BAHADUR K. DEIVASIKAMANI MUDALIAR, AVL.

*(Joint Registrar of Co-operative Societies, Madras.)*

"The House Building Society in England is a combination of investors and borrowers operating under a measure of Government control to promote the ideals of thrift and home ownership."

The history of the House Building Societies in England dates back to 1781. Originally these societies were planned upon a terminating basis. A number of people joined together and subscribed a definite sum of money each monthly for a specified period. Each monthly subscription was given to one among them to enable him to build or buy a house. As soon as the period expired, that is to say, after every one of the group had received back his subscription, the society terminated. Subsequently, the terminating nature of the society was given up and the societies were established permanently. One man joined and another man withdrew with the result there was always a certain number of persons subscribing. To-day the terminating societies form a very small minority of building societies.

The Nidhis in the city of Madras and in the Presidency were modelled on these Building Societies in England.

The Building Societies have got *only one object* in view viz., to raise a fund from which advances may be made to members for the purchase or building of houses. No advance is made for any other purpose. The safety of investment in these societies lies in this fact. From the rules of the Halifax Building society it will be observed that the original rules have been relaxed considerably. The society raises money both by way of shares and deposits. Shares are of two kinds; investment shares and borrowers' shares. The investment shares are again divided into two kinds; subscription shares and paid-up shares. The value of each subscription share is collected in instalments—weekly, monthly, quarterly or half-yearly over a specified period. The value of the each paid-up share is paid in one lump sum at the time of taking the share or in instalments. The value of a subscription share is Rs. 120 and that of a paid-up share is only Rs. 10. A borrower's share means an advance made by the society

to a member on the security of a house which he has purchased or built out of the advance made and collected in instalments just like subscription share over a period. Deposits are taken and are repayable at one month's notice. The shares are also withdrawable at short notice. But there is a condition in the rules of the Abbey Road Building society that if the society has not got sufficient money, the shares and deposits will be paid only in rotation in the order of demand. In the Halifax society the Directors have got power to limit the number of shares that can be withdrawn in any month. The deposits taken shall not, however, exceed a certain proportion of the money advanced and outstanding against the mortgage, omitting from this amount the loans which are overdue for more than 12 months. The proportion is  $\frac{1}{3}$  in the case of the Abbey Road society and  $\frac{2}{3}$  in the case of the Halifax society.

The money obtained in the manner indicated above is given as loans to share-holders for the purchase or building of houses in the shape of borrower's shares. A borrower has to find 25 per cent of the value of the house himself; the balance alone is advanced by the society. The borrower is at liberty to choose the period of repayment which is generally 5 to 20 years. The 15 to 16 years term is the most popular period among borrowers. A table is worked out determining the monthly, weekly, quarterly or half yearly instalment. The instalment includes interest also. The interest charged is 4 to 5 per cent or one per cent above the Bank rate.

Generally the Building Societies in England do not undertake to build or buy properties. Their operations are confined to helping their members to acquire dwelling houses, business premises and other approved properties for themselves by advancing a large proportion of the value upon security of a mortgage.

The growth of Building Societies in England is remarkable. In 1913 their total assets amounted to £65 millions but by the end of 1928 this figure had reached the enormous total of £260 millions and there has been further substantial progress since. At the end of 1928 there were no fewer than 133,000 share-holders in Building Societies while the number of borrowers exceeded 500,000.

The Halifax Building society is the largest lender of money for house purchase in Great Britain and for more than 20 years past it has held a unique position as the largest Building society in the

world. The following figures are taken from its report for the year ending 31st January 1935, the 82nd year of its working :—

No. of share investors.	Amount of subscription shares.	Amount of paid up shares.
(a) 224,991	£ 8,640,231	£ 62,844,863.
No. of depositors.	Amount of deposits outstanding.	
(b) 198,410	£ 27,309,009.	...
No. of borrowers.	Amount secured on mortgages for building.	
(c) 198,922	£ 78,099,006.	...
	Reserve Fund.	
(d) ...	£ 3,357,868.	...

It is curious that the long term business of this society and also of other societies is done with what we here in Madras call short term money. The subscription shares of these societies are withdrawable after one month's notice and the paid-up shares after three months, if the number to be withdrawn does not exceed ten, or six months, if it exceeds ten. Similarly the deposits too are withdrawable after one month's notice. In regard to withdrawal of shares, however, the Directors of the societies have got powers to limit the number of shares that shall be withdrawn in any month. The safety, however, lies in the fact that loans are repaid—as is the case with our Urban Banks—more or less modelled on these building societies—in monthly, if not, in weekly instalments. The collections and fresh subscriptions and deposits are sufficient to meet all possible withdrawals.

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## Conferences.

### BANGALORE CO-OPERATIVE CONFERENCE.

The First Conference of the Directors of Co-operative Societies in the City of Bangalore commenced its session under the auspices of the Mysore Provincial Co-operative Apex Bank, Ltd., Bangalore, in the Assembly Hall of the Apex Bank on the 13th and 14th July last under the distinguished presidency of M.R.Ry. V. Ramadas Pantulu, B.A., B.L., President, Madras Provincial Co-operative Bank, Ltd. A large number of Directors of co-operative societies of Bangalore had assembled besides many distinguished invitees. Amin-ul-Mulk Sir Mirza M. Ismail, Kt., C.I.E., O.B.E., Dewan of Mysore, was also present on invitation.

Mr. S. Venkatakrishnaiya, President of the Apex Bank, in the course of his welcome address observed :

The financial structure of the co-operative movement in Mysore is somewhat different from that in British India. In British India the primary societies are linked with the District Banks and the latter with the Apex Bank. The same system was prevalent in Mysore. But unfortunately many of the District Banks failed to come up to expectations and most of them have practically ceased to function beyond collecting old dues. The Apex Bank in Mysore has, therefore, been lending direct to primary societies without the intervention of the District Banks. This system of direct lending has the advantage of securing to ultimate borrowers from the primary societies money at a cheap rate of interest ; but the disadvantage is the want of local knowledge and efficient supervision. The Indian Central Banking Enquiry Committee have pointed out that District Banks cannot succeed unless they operate over fairly large areas with a good number of societies affiliated to them. In a compact State like Mysore the scope for the successful working of the District Banks appears to be limited. The proper solution of the problem appears to be the establishment of branches of the Apex Bank at convenient centres when there is reasonable chance of success.

The Apex Bank which was started as a balancing centre and co-ordinating agency has been so only in name. It is not even functioning as a clearing house. The urban societies in the City of Bangalore stand in a state of isolation and need unification. The ideal accepted in Luzzatti's apt phrase is : " While primary societies should ever strive to be independent they could never afford to be isolated." Out of over 2000 societies in the State only 975 are affiliated to the Apex Bank, of whom only about 400 societies have borrowed from it. The surplus funds of all the societies are not invested in the Apex Bank to enable the latter to balance the excesses and deficiencies. The movement needs



unification and co-ordination for its successful development. The want of co-ordination has led to unwise competition in the matter of attracting deposits and facilitating the borrowing by one member from various societies to the detriment of all. To avoid these difficulties, a frequent meeting of all the directors of the societies in the City to take counsel together and decide upon a common course of action with reference to membership, loan policy, rate of interest on deposits, discounting and rediscounting of bills and the establishment of a clearing house, has become a matter of fundamental importance.

To fulfil these functions efficiently and properly urban banks must have each a trained staff. While the societies should have a free hand in choosing their staff, it is necessary that employees should have proper qualifications. This necessitates the establishment, with financial support from all the societies, of a Training Class both for the present employees and future entrants. I have briefly indicated the various points for discussion and I hope we will be able to arrive at decisions which would be satisfactory to all.

The following are the extracts from the presidential address delivered by Mr. V. Ramadas Pantulu on the occasion.

*The Credit Structure—Functions of Apex Bank.*

The several items on the agenda when closely analysed seem to me to reduce themselves to one vital problem, namely, what structural alterations are necessary in your co-operative credit organisation, in order to establish sound financial relations between the financing bank and its affiliated societies and to ensure businesslike financing of the Agricultural Industry through rural societies and of the small trader, industrialist and artisan through the urban societies. The President of your Apex Bank has told us just now that your District Co-operative Banks, or Central Banks as we call them in Madras, have practically ceased to function and that the Apex Bank has already begun to lend directly to a large number of primary societies. This position seems to have been accepted as an accomplished fact by your Government, for in their review of the Administration Report of the Co-operative Department for the year 1933-34, they not only say that they approve of the Registrar's proposal to cancel the registration of the Federal Banking Unions, but add that "he is requested to take similar action in respect of the District Central Banks also." These tiny Central Banks which have ceased to function are a source of weakness to the movement and must go.

The situation thus created, coupled with the fact that your Co-operative Central Bank which is older than your Apex Bank and which was originally intended to finance both the societies and individuals has now confined its operations to individuals alone, the co-operative credit structure of your State has undergone radical changes. In a compact

State like yours and in the special conditions of your rural areas, an Apex Bank like yours may perhaps prove a success as the sole credit institution to directly finance a large number of societies. Speaking for myself I prefer a co-operative credit system in which an Apex Bank acts through a required number of large, strong, independent central banks which are in a position to establish true touch with the societies which they finance. Good central banks will be in a better position to stimulate the flow of rural capital into the movement and look to the proper utilisation of the loans by the societies, than an Apex Bank for the whole State acting all alone. My study of the branch banking system elsewhere has also shown me that it has not resulted in increasing the margin of the profit in the primary societies by the elimination of the intermediary Central Banks or in making credit cheaper to the ultimate borrower. For some time to come your Apex Bank may find no difficulty in getting into touch with its constituent societies and serving them well and efficiently. When however a large number of existing societies become active and begin to borrow once more and new societies are formed as conditions for expansion improve, it will have to decide whether it shall establish branches or reorganise a few large sized efficient Central Banks. When such time comes my advice is to instal two or three Central Banks through which the Apex Bank may operate.

There cannot be much doubt or controversy about the functions of the Apex Bank, whether it operates through branches or central banks. If there is to be a real Apex Bank it must necessarily be the financing and balancing centre and co-ordinating agency for its constituent societies. The financial relations between it and its constituent societies must be well and duly regulated. In the matter of fixing the rates of interest on borrowings and lendings and finding investment for surpluses and generally in all essential matters relating to banking business, there ought to be mutual understanding and definite conventions about business relations between the Apex Bank and the societies which it finances. They are under mutual obligations to each other. The Apex Bank must have due regard to the claims of its constituent societies to resort to it to find investment for their surplus funds at reasonable rates of interest and must also endeavour to lend to them at as low a rate of interest as possible. In return for these services the constituent societies must be faithful and loyal to their federal institution. The moment that an outside borrowing proves a little more attractive or an outside investment offers a little more yield, they must not resort to them to the detriment of their Apex Bank, but must normally put their surpluses and reserves in it. They will themselves benefit by thus strengthening the financial position of their Apex Bank and enhancing its prestige in the money market. It is the surest way of securing cheaper credit to themselves. Your idea of creating facilities for full and free inter-change of information

and ideas between the societies in Bangalore and for joint deliberation in matters of common concern is a good one and I am sure will yield good results in course of time.

*Discounting of Bills.*

In Madras, we do not do this class of business, while, in Bombay it is done on a fairly large scale. I personally consider that discounting of bills is primarily the sphere of commercial banks. If co-operative banks operate similarly then it may also involve lending to non-members which cannot be done without the special permission of the Registrar. Again, unless a co-operative bank has all the facilities available to a commercial bank, it is a risky business to do. Some of the urban banks in Bombay I know have lost heavily in discounting business. I, therefore, definitely advise caution in the matter.

*Loans on pledge of gold.*

Some of the urban banks in Madras do this class of business and do it successfully. If the services of competent, qualified and honest appraisers are secured, and if due care and caution are exercised this will be a profitable business. Co-operative banks must confine lending against gold to their own members. Indeed, there is no reason why their members should be asked to go to a commercial bank when they offer tangible security of gold while they are readily accommodated on the less tangible security of a D. P. Note backed by a personal surety bond.

I may now be permitted to say a few words generally on the need to unify and consolidate the co-operative movement in the city of Bangalore. There seems to be an overlapping and avoidable waste of effort. Without better organisation it is not possible for the co-operative credit movement to make any impression on the economic life of the people. Bangalore is the second largest manufacturing and trading centre in Southern India. Leaving big industries and commerce to be financed by the commercial banks, the urban co-operative banks can and ought to finance the small manufacturer, the small trader, the artisan and the handicraftsman. There are many such in your city who need finance and who can add to your wealth if so financed. Again there is a large population of factory workers to whom the co-operative movement can render very valuable service. The improvement of the housing of labourers by means of co-operative house-building societies is well worth attempting. It will remove congestion and improve sanitation in labour areas. Even among the general population in a growing city like Bangalore, where the population has increased faster than the dwelling houses, the necessity and importance of co-operative housing schemes, specially for the benefit of the poor sections, cannot be overlooked.

*Rates of Interest.*

Before I conclude, I desire to draw your attention to one matter which I consider vital to the movement. It is no doubt not specifically put on the agenda but cannot be said to be outside my brief; for, it has a direct bearing on the items which deal with the stabilisation of your credit structure. It is the question of rates of interest charged to societies and their members. I must say that they are higher than they need be having regard to the money market conditions. I am told it is mainly due to the fact that deposits for long terms were taken when money was dear, in order to advance long term loans and that such costly money is still hanging heavy on the hands of the Apex Bank. But something must be done and done quickly to relieve the co-operators of Mysore from the effects of a policy the bitter fruits of which they have been tasting all through the period of intense economic depression, when relief by way of substantial reduction of rates of interest on loans should have come. The rate which is now charged is what you began with in 1915, during the great war. The Apex Bank cannot expect to evoke enthusiasm among its present and prospective customers, nor can demand loyalty and co-operation from its constituent societies, so long as its credit is dearer than what the conditions of money market justify. Co-operative finance must be elastic and rates of interest must be promptly adjusted to the changing conditions of the market, if it is to serve aright the economic needs of societies and its members. It is no consolation to a member who asks for a loan in 1935 A. D. to be told that he is obliged to pay  $7\frac{1}{2}$  per cent because the Apex Bank took deposits at  $6\frac{1}{2}$  per cent in the year of grace 1925. I, therefore, urge on co-operators assembled here to find an early solution for this and to decide upon some plan to bring down the rates of interest immediately.

*Long Term Credit.*

As regards the future, I plead for the complete abandonment of the policy of advancing long-term loans through rural credit societies and to concentrate on short term loans and quick circulation of capital. An increased volume of business will enable societies and banks to work with small margin. Long term credit must be left to the Land Mortgage Banks. Till such time as the Land Mortgage Banks can cater adequately to the long-term needs of the agriculturists, I prefer people going without it from the co-operative societies, than mixing up short-term credit with long-term credit in the rural societies. Loans for ten years are neither here nor there. They are too short for a really long-term purpose, and are too long for a short term purpose, with the result that they cannot be repaid if they are really used for a long-term purpose and their repayment will be put off if used for a short purpose, for there is plenty of time to do so. I have studied this question in relation to the conditions of more than one Province. Everywhere long-term credit through rural societies has proved not only a failure but a serious menace to the credit movement.

The following are the resolutions passed at the conference :—

1. This Conference requests the Mysore Provincial Co-operative Apex Bank to create clearing facilities for the clearance of the cheques

drawn mainly on co-operative societies in Bangalore City and further requests the societies to open current accounts with the Apex Bank.

2. This Conference recognises the desirability and necessity of a Central Co-operative Distributive Agency for the City of Bangalore and requests the consumers' co-operative societies in Bangalore to make a beginning in this direction by forming a Central Distributive Council of their representatives for collecting the indents of the societies, purchasing wholesale and distributing the purchases according to the indents among them.

3. That the Co-operative Movement is a unified and self-contained movement consisting of primary societies federated into a Central or Provincial Bank, and the Mysore Provincial Co-operative Apex Bank has been formed to serve as a common cash box of the movement in the State, balancing excess and want, and facilitating common business.

This Conference, therefore, urges upon the co-operative societies in Bangalore the desirability of investing, as far as possible, their Reserve and surplus funds in the Apex Bank and contributing by all means in their power to increase the capacity of the Bank to assist the primary societies in their co-operative work.

4. This Conference requests the Mysore Co-operative Institute to establish a Co-operative Training Class in Bangalore at an early date and appeals to all the local societies to set apart annually a definite sum of money out of their profits for the upkeep of the class and to arrange to depute their employees for training.

5. That there is need for a full and free interchange of information between societies in Bangalore and for joint deliberation on matters of common concern.

This Conference, therefore, requests the Mysore Co-operative Institute to arrange for meetings of the representatives of the societies in Bangalore City as often as may be necessary for the purpose.

## THE MADRAS AGRICULTURAL JOURNAL.

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## Recent Utterances.

### RURAL UPLIFT.

His Excellency the Governor of the United Provinces was presented with an address by the District Board of Jhansi on the 8th August. In his reply he referred to rural uplift among other topics and said :

“ It strikes me as a very encouraging symptom that the need for rural development is now so widely recognized. I fear that in the past we have been inclined to leave the villages to their natural conservatism, which has meant inevitably a considerable degree of stagnation. One of the advantages of taking up this movement for the improvement of village life and conditions on a wide provincial scale is that it does stir up interest ; and in this matter interest is the foundation of practical work. What is needed is, in the first place, interest taken by Government. Of that I can give you very full assurance. All departments of Government which can contribute to the advancement of the life of the villagers in the widest sense will be working together under the guidance of the district officer to give whatever assistance the official machinery and official experience and knowledge can give. In the second place, we require the interest of the landholders who can do much to improve the condition of their tenants by co-operating with the Government on the lines of work that we hope to carry out. I see most encouraging signs of interest taken throughout the province by the landholders in these new activities. And finally, and most important of all, we need the interest of the villager himself, for without that no lasting improvement can be effected.

The villager has got to desire his own improvement and to work for it if we are to achieve practical results ; and as the villager is slow to move and to change his ideas, we cannot expect to get immediate and startling results ; but if we all work sincerely and patiently, remembering at every stage the necessity of carrying village opinion with us, I am sanguine that results will be achieved which will after a time begin to spread rapidly throughout the countryside. For though the villager may be slow to move, he is not impervious to new ideas, and when he sees practical demonstrations of improved conditions and methods, I believe he will be anxious to follow these examples. I am glad to know that you, gentlemen, are in full sympathy with this movement and that both individually and as a Board you will do what you can to encourage it in a practical way.”

THE HAND-LOOM INDUSTRY.

At the first meeting of the Directors of the Madras Provincial Handloom Weavers' Co-operative Society which took place on the 12th August at the office of the Director of Industries, Mr. Green, the Director, who presided over the meeting, made the following speech :—

First of all, I would like to thank you for responding to the invitation of Government to serve as members of the Board of the Madras Provincial Handloom Weavers' Co-operative Society, Ltd., for the first year of its existence. All of the Directors have had extensive experience of the co-operative movement, or of the handloom weaving industry in one form or another, and their knowledge and experience will be invaluable in the conduct of the affairs of the Society.

From the standpoint of the well-being of the rural population, the handloom weaving industry of the Presidency plays a conspicuous part, as there is no other occupation so remunerative as weaving to absorb the population not engaged in agriculture, or to keep the agriculturists occupied during the slack season. The question of whether the handloom weaving industry is progressing or declining is therefore a matter of great economic importance. The statistics of the consumption of yarn in India show that whilst the annual consumption of yarn by the mills has increased from 347 million lbs., during the ten years ending 1924-25, to 527 million lbs., during the ten years ending 1934-35, the increase during the same period in the quantity of yarn consumed by the handloom weavers was from 255 million lbs. to 344 million lbs., or in other words, whilst the mill consumption of yarn increased by 52 per cent, the increase in consumption of yarn by the handloom weaving industry was 35 per cent. It will be evident, therefore, that the development of the mill industry in this country has been largely at the expense of foreign cloth, although, it may in all probability, have arrested the progress of the handloom weaving industry. Up to recently it has not been possible to estimate with any degree of accuracy the consumption of yarn by handlooms in the presidency owing to the discontinuance of the railborne statistics. These statistics, however, have been revived with effect from 1933-34, and they indicate that the consumption of cotton yarn by handloom weavers in this Presidency during the year 1933-34 amounted to 72'6 million lbs., and in 1934-35 to 78'8 million lbs. As the average annual consumption of yarn by handloom weavers in the decade ending with the year 1921 was 59 million lbs., it would appear that there has been a considerable increase in the consumption of yarn since then and that this increase has more or less kept pace with the increase in the number of persons engaged in the industry, as revealed by the Census, and also with the number of looms employed by it is ascertained recently from the Revenue authorities. If we take India as a whole, a consideration of the available statistics indicates that the handloom-weaving

## RECENT UTTERANCES

industry is at least half as important as the power-loom industry, both in respect of production and of value, and many times more important in respect of the employment which it provides.

### PERIPATETIC WEAVING PARTIES.

In 1913, a number of peripatetic weaving parties were constituted in order to tour the Presidency and carry to the very doors of the weavers in the villages, the results of technical research and development. Sufficient evidence of the usefulness of this form of demonstration of improved appliances in the village is forthcoming from the statistics collected recently by the Revenue authorities, which go to show that out of 316,276 handlooms at work in the Presidency, as many as 289,440 looms are fitted with fly shuttle slays. In passing, it may be mentioned, that the fly shuttle slay does not lend itself to the production of all kinds of fabrics, and that handthrown shuttle slays are necessary for the manufacture of certain specialised classes of goods. They are also necessary for cumby looms working with handspun woollen yarns, coir looms, and also for kora grass weaving. Hence it may be taken that fly shuttle slays have been introduced in this Presidency to almost the full extent possible. The number of other improved appliances, such as, dobbies, draw boy harnesses, (country jacquards) and warping mills, introduced as a result of the efforts of the peripatetic parties, is also appreciable. The number of dobbies amounts to 17,055, and the number of draw boy harnesses to 4,650.

The general adoption of the improved manipulative processes and appliances demonstrated by the peripatetic weaving parties has had its effect on the consumption of cotton yarn by the handloom weavers which, as I have already shown, has increased to an appreciable extent during the last fifteen years. In the opinion of many who have made a close study of the subject, the handloom weaving industry is economically sound and can withstand competition even with the power-loom, provided certain defects in its organisation are rectified. A consideration of the statistics available in 1933, showed that the handloom weaver had to manage for four days on the earnings of a single day. What he lacks therefore is continuity of employment. Secondly, he has to borrow money for the purchase of yarn often at exorbitant rates of interest. Thirdly, as pointed out by the Tariff Board, the price which the handloom weaver has to pay for his yarn in upcountry centres, is considerably in excess of the price of yarn and the freight from, Bombay to those centres. Fourthly, as he has no marketing organisation, he has to sell his goods through middlemen who charge heavy commissions. Lastly, his designs are often out of date and he is unable to meet the changing needs and fashions of the consumers of his products. The weaver is therefore in need of co-operative organisations which would



purchase his yarn and dispose of his cloth, providing with cheap credit, supplying him with improved appliances and up-to-date designs, and secure for him continuity of employment as far as possible. These were the considerations which led the Government of Madras to place before the Tariff Board and the Government of India, the case for the handloom weaving industry, and press for the provision of funds for organising the industry. In his capacity as an non-official adviser to the Indian Textile Delegation in connection with the Indo-Japanese trade negotiations, my predecessor, along with others, pressed the claims of the handloom weaving industry for a measure of financial assistance from the Government. Subsequently the Government of India announced their decision to provide special protection for the weaker section of the Indian textile industry i. e., the handloom weaving industry, by way of grants-in-aid to local Governments and Administrations so long as the protective import duties on yarn imposed by the Indian Tariff Textile Protection (Amendment) Act of 1934, continue in force. A scheme was, therefore, drawn up by this department and it has received the approval of the Government of India. In essence the scheme provides for the setting up of a provincial co-operative society in Madras for developing co-operative buying and selling on behalf of the handloom weavers, and for the introduction, on a co-operative basis, of small units of power driven machinery for preparing and distributing ready made warps for the looms, and for the installation of power-driven finishing plant, so as to permit of the finishing of hand-woven cloths, and of the creation of an increased demand for them. The amount of grant allotted to this Presidency was Rs. 26,500 for 1934-35 and Rs. 59,500 for 1935-36, and the Government of India have decided that any unspent balance of the grant remaining at the end of financial year will be again included in the budget for the ensuing year.

The grant will be utilised to provide a subsidy to the Madras Handloom Weavers' Provincial Co-operative Society, Limited, which has been registered with an authorised capital of Rs. 5, lakhs divided into 10,000 shares of Rs. 50 each. The headquarters of the society will be Madras, but the area of operations of the society will extend to the whole of the Presidency. Co-operative Societies intended for the benefit of weavers are, among others, eligible to become members and, each such primary society will, at the outset, consist of at least fifty members. Thirty such societies will be organised in the first instance. It is hoped that the inclusion as members of the Provincial Society, of firms engaged in the production, distribution, or sale of raw materials required by the handloom weavers, such as yarns, dyestuffs, etc., will secure for the weavers' societies, the required supplies of raw materials on advantageous terms, and under guarantee of quality. The provincial society will be managed by private persons subject to the general control of the officers of the

## RECENT UTTERANCES

Departments of Industries and Co-operation, acting as ex-officio members of the Board of Directors of the Society. The Board of Directors of the Provincial Society will consist of fifteen members, the Director of Industries, the Registrar of Co-operative Societies and the Principal, Government Textile Institute, Madras, being ex-officio members. Six of the remaining members will be elected by the general body of the Society from among individual members and firms holding not less than twenty shares each, and the remaining six will be elected by the representatives of member societies from among themselves. The President and Vice-President will be elected by the Board of Directors. The Executive Committee will consist of nine members including the President, Vice-President, Director of Industries, Registrar of Co-operative Societies and the Principal, Government Textile Institute, Madras, the remaining members being elected by the Board of Directors. Two at least of the members of the executive committee will be representatives of member societies. There will be a full time Secretary appointed by the Board who will conduct the affairs of the Society subject to the control of the President. One of the Directors elected by the Board will be the Treasurer. The members of the Board for the first year have been nominated by Government under by-law 14 of the Society.

The functions of the Provincial Co-operative Society will be to raise the money required by issue of shares and by borrowing, to purchase either for cash or credit such raw materials and appliances as may be required for the industry, and retail the same either for cash or credit to the affiliated societies, to grant advances to affiliated societies, to purchase and hold in common or let on hire improved appliances connected with the industry, to purchase or receive for sale the finished products of the affiliated societies and dispose of them to the best advantage, to purchase and supply the requirements of the affiliated societies, and to establish and conduct one or more depots for the sale of the products of the societies.

### MARKETING OFFICER.

As the success of the scheme depends upon the regular sales of hand-woven cloths produced by the weavers' societies, a marketing officer will be appointed and attached to the Provincial Co-operative Society. The marketing officer will prepare a standard wage list for hand-loom weavers, regulate the cost of cloths manufactured in primary weavers' societies and co-ordinated the work of the district marketing agents to which I shall refer in a moment. He will also secure forward contracts from wholesale dealers of cloth and pass them on to the district marketing agents for execution. In order to supply the weavers' societies with a wide and varied range of improved designs for fabrics a cloth designer will be appointed by the Provincial Society whose function it will be to

study the designs and patterns of mill cloths which are in general demand, and evolve suitable designs for corresponding types of handloom cloths. In addition to the marketing officer, five marketing agents will be appointed in suitable centres of the Presidency, and each of them will assist in marketing the output of the primary weavers' societies in his jurisdiction. The district marketing agents will take the initiative in the matter of bringing into existence the primary weavers' societies at suitable places, and they will also take steps to revive the existing weavers' societies in their respective areas under the direction and control of the marketing officer and the Board of Directors of the Provincial Society and with the assistance of the officers of the Co-operative Department. Each primary weavers' society will at the outset, comprise at least fifty members. In course of time, the paid marketing agents will be replaced by marketing agents paid on a commission basis only and the services of the paid men will be utilised for new centres. As and when the primary societies get work on a profitable basis the subsidy to these societies will cease, and the amounts will be utilised for the starting of societies in other areas. The activities of the primary societies will be mainly directed towards producing fabrics such as can be marketed in or near their areas of operation. At present there are large imports of mill cloth from the Bombay Presidency. The primary societies will be directed to undertake also the manufacture of similar varieties of fabrics on handlooms to meet the local demand. Fabrics for the export market such as lungies, kailies and Madras handkerchiefs will also be produced and marketed.

While the actual process of weaving will be carried on by the weavers on handlooms in their own homes, and their women folk will undertake the preparation of weft for the loom, arrangements will be made to introduce on a co-operative basis small units of power driven machinery for preparing and distributing ready-made warps for the looms. This will permit persons who are now engaged on the unremunerative warp preparatory processes to be released for more remunerative work in the shape of weaving and thus in every family the number of looms can be increased, their output doubled, and the cost of production correspondingly reduced. Another advantage which this organisation will afford is that it will pave the way for the standardisation of hand-loom products. Unless the quality of hand-woven cloths is standardised, they cannot be marketed in bulk in competition with wholesale dealers of cloth. A powerdriven finishing plant will be set up by the Provincial Co-operative Society so that handwoven goods can be finished properly, and an increased demand so created for them. A small dyeing factory will also be attached to the Provincial Society, where the dyeing of fast colours will be undertaken. Part of the subsidy given to the Provincial Society will be utilised for purchasing and setting up the necessary machinery. In short, the object of the co-operative organisation will be to arrange for the supply of the raw materials required by the members of the district societies on the most advantageous terms possible, to effect a reduction in the cost of production of hand-woven cloth, and to facilitate in every way possible the marketing of such goods. So much, gentlemen, for the details of the scheme. It now remains to set the organisation in motion.

## News and Notes.

The Honorary Secretary of the Government Telegraph Employees Co-operative Society, Madras, informs us that in response to the announcement of the prize essay competition made on the occasion of the Society's 10th anniversary, only 8 essays were received and though the Judges were of opinion that none of the essays came up to the expected standard, they have recommended the award of the first prize of a gold medal to Mr. K. Karunakara Menon and the second prize of silver medal to Mr. R. Satyanarayana.

\* \* \*

The Late Rao Bahadur K. Chinnathambi Pillai, Retired Principal of the Pachappa's College, was an active co-operator, being for many years the President of the Panchayat of the Egmore Branch of the Triplicane Urban Co-operative Society.

\* \* \*

With a view to encourage the working of weavers' co-operative societies, a public meeting was held recently at Calicut with Mr. V. Krishna Menon in the chair. Mr. K. Sarvottama Rao, Deputy Registrar of Co-operative Societies, Calicut, spoke on the occasion on the urgent need for encouraging weaving industry in Malabar which was slowly decaying. He said that unless the public came forward there was no hope for the one lakh weavers in the district who depended entirely on hand-loom weaving for their daily livelihood. The cloths woven by the weavers' co-operative societies managed by the Devadhar Malabar Reconstruction Trust were exhibited at the meeting.

\* \* \*

The Andhra Sahakara Sammelanam, or the Federation of co-operative societies in Andhra districts, has shifted its office from Bezwada to Rajahmundry and revived the publication of its monthly journal under the new name "Sahakaramu." It is edited by Mr. N. Satyanarayana of Alamuru and published at Rajahmundry. It is hoped that the Sammelanam and its journal will hereafter have a smooth and continuous existence.

\* \* \*

The Mudnapalli Co-operative Union in Krishna district collected Rs. 29-13-0 from seven societies in its area for the Quetta Earthquake Relief Fund and remitted it to the authorities. The Chevutapalli Co-operative Society in the same district has remitted Rs. 5-5-8 to the Anantapur Co-operative Central Bank for famine relief in the Ceded Districts.

\* \* \*

According to the review of liquidation proceedings by the Joint Registrar for the quarter ending 30-6-1935, there were 1394 societies under liquidation at the beginning of the quarter. To this were added

69 societies whose registration was cancelled during the quarter; but the affairs of 51 societies were finally closed, leaving the number of societies under liquidation at the end of the quarter at 1412. Out of Rs. 67'28 lakhs to be collected in all these societies, Rs. 1'81 lakhs was collected during the quarter in cash or by adjustments of investments, while the amount written off as irrecoverable was Rs. 1'54 lakhs. These figures are a considerable improvement on those of the previous quarter. The heaviest district is Guntur where the amount written off was Rs. 46,562. The next in respect of amount written off was the Srivilliputhur section of Ramnad district with Rs. 16,034.

\* \* \*

Bangalore City occupies a unique place in the field of co-operation in Mysore State. It holds 12 per cent of the membership, 30 per cent of the paid up share capital, 24 per cent of the reserve fund, 73 per cent of the deposits and 45 per cent of the working capital of the societies in the State.

\* \* \*

The Government of the United Provinces have appointed an Indian officer of the I. C. S. as the special rural development officer to work their scheme for utilising the Government of India's special grant of Rs. 7 lakhs. It is proposed to appoint six organisers in each district, each of whom will be in charge of some 12 villages clustering round a convenient centre. These organisers will be like the supervisors of the rural reconstruction centres run by the Madras Provincial Co-operative Union in their qualifications and the duties expected of them. It is believed that about 3½ lakhs or some 20 per cent of the grant will be spent on the staff, while a sum of Rs. 5,000 a year will be made available as a special grant for each district. The objective of the scheme is the creation of a rational and progressive mentality in the rural population of the Provinces, chiefly by means of better living co-operative societies and panchayats.

\* \* \*

A Bill was recently introduced in the Central Provinces Legislative Council to amend the Debt Conciliation Act. Under the present law a Debt Conciliation Board cannot work in one area for more than two years with the same personnel. It is found that the work before most of the Boards will take more than two years for disposal. It is therefore proposed to amend the Act so as to make it possible to extend the life of the Board for more than two years.

\* \* \*

Mr. George Lansbury, M. P., was given a great ovation when he made his appearance on the platform of the Co-operative Congress held recently at Cardiff and again when the President referred to him as a "great Commoner." In acknowledging the kindness of the Congress he said: "When I think of what co-operation has done since the war and the growth of the spirit of Co-operation, pessimism leaves me altogether."

He also observed "people have said of us (masses) we shall never be able to govern. Whether we can govern or not we can certainly conduct great businesses. We are showing people what co-operative production and co-operative distribution means in every-day life."

\* \* \*

The delegates to the Cardiff Co operative Congress were treated to a very pleasant surprise by the directors of the Co-operative Wholesale Society who arranged for an excursion across the Bristol Channel to Weston-super-Mare. As many as 1750 delegates and friends gladly accepted the invitation. At six places tea was arranged for the guests and at each place they were received by some directors. The object of the excursion was to enable the delegates of the retail societies to get into more intimate touch with the directors of Co-operative Wholesale Society than is possible during Congress proceedings.

\* \* \*

In connection with the Congress an interesting exhibition of articles made by co-operative societies was also arranged. A special feature of the exhibition was that thousands of school children escorted by teachers and co-operator volunteers, came in special trains to see it from different parts of Wales. After spending some two hours in seeing the exhibition they were entertained at tea by different co-operative societies. It is very sensible to create in the minds of people when they are yet impressionable children such pleasant associations regarding co-operation.

\* \* \*

The Federal Government of Canada has introduced an amendment to the Criminal Code making it penal for a trader to gain advantage over other traders by granting higher discounts or rebates or price-cutting. This is in accordance with the recommendation of a Commission known as the Price Spreads Commission. But as there is a fear that the amendment may be so construed as to prevent a co operative store from giving dividend to its members on their purchases, the Co-operative Union has submitted an addendum to the effect that it shall not be so construed and has also made representations to the Federal Premier, the Leader of the Opposition and other members of Parliament sympathetic to the co-operative movement.

\* \* \*

The Government of the U.S.A. is giving special encouragement for the formation of co-operative associations for the supply of electricity to rural areas, having set apart a sum of 100 million dollars to be given as "loans to farm co-operatives to enable them to own power lines." A County Co-operative Electricity Association started last year in one of the States has been able to effect a saving of 48 per cent to its members on their electricity bills.

\* \* \*

Sweden has learnt to walk closely in the footsteps of Denmark in the matter of agricultural co-operation. The extent to which co-operative

methods have been adopted in Sweden is well illustrated by the dairy industry. In 1932 there were in all 1516 dairies in Sweden, of which 717 were co-operative. The milk supplied amounted 2,157,000 tons, the number of producers being 150,000. Of these 109,000 were co-operators and the milk supplied by them amounted to 1,600,000, tons. Thus the co-operative dairies, which represented less than half the total number, produced more than 75 per cent of all the milk supplies and were also responsible for 83 per cent of the butter production. The Swedish Co-operative Dairies Federation, though founded only in 1932, marketed 80 per cent milk and 86 per cent of the butter output of the country.

\* \* \*

Reports from 102 colleges and universities in the United States show that there are now 49 Co-operative Purchasing Organisations in these institutions. They chiefly consist of Co-operative Bookstores, 21 colleges reporting the successful operation of such stores. Harvard University has the largest, with an annual turnover of over £150,000 and similar organisations are also in operation at Princeton, Vassar, Cornell, the Universities of Washington and California, and 15 other colleges. Seven universities also reported co-operative buying clubs, and there are 8 Co-operative Cafes, 7 Housing Societies, and 6 miscellaneous societies, including oil, coal and grocery societies. The University of Washington Students' Co-operative Association last year saved its membership of 56 more than £5,000 in living expenses. This year it has increased its membership and undertaken the administration of 8 co-operative hostels.

A unique event in the history of the Co-operative Wholesale Society was the visit recently paid by representatives of the Parliaments of thirteen nations in the British Empire to the Society's premises in Leaman Street, London. The visitors were members of the Empire Parliamentary Association on a tour of inspection of the social and economic life of Great Britain. Sir William Dudley, President of the Co-operative Wholesale Society, presided at the entertainment given to the visitors, during which Mr. G. Riddle (C. W. S. Director) stated that last year the Society imported from the Dominions goods to the value of £12,550,000 while the value of the Society's productions was £32 million. The retail trade of the Co-operative Movement in Great Britain now totals £250 million and the wholesale trade £110 million. The Movement has 280,000 employees, owns 200 factories and shops, and manufactures 1,000 tons of soap and makes 500 sacks (240 lbs.) of soap every hour. Member's share capital totals £300 million. A tribute to the Movement was paid on behalf of the visitors by the Right Hon. J. H. Thomas (Dominions Secretary).

A new short film called "Postman's Knock" has been made by the Co-operative Wholesale Society's Publicity Department to advertise the Society's soap productions. The film will be used in C.W.S. cinema lectures throughout the coming winter season. In addition arrangements have been made for it to be shown in 1,000 cinema theatres throughout the country.

The latest report of the London Co-operative Society shows that net sales for the quarter amounted to £2,948,110, an increase of £286,627 compared with the corresponding period of last year. Membership now stands at 568, 620. The annual turnover should reach £12 million this year.

*I. C. A. News service.*

# LIST OF SOCIETIES REGISTERED AND LIQUIDATED

## *List of Societies registered during the month of July last.*

	Name of Society.	District.
1.	The Tirupathi Co-operative Stores, Ltd. ...	Chittoor.
2.	The Bobbili Sugarcane Growers' Co-operative Society.	Vizagapatam.
3.	The Hosur Cattle Farm Employees' Co-operative Stores, Ltd.	Salem.
4.	The Krishna Co-operative Crop Loan and Sale Society, Ltd., Masulipatam.	Kistna.
5.	The Sennamareddipatti Co-operative Labour Society, Ltd.	Tinnevely.
6.	Maramareddipalayam Field Labourers' Co-operative Society.	Trichinopoly.
7.	Zorepally Co-operative Society ...	Nellore.
8.	Cheekavolu Co-operative Society ...	"
9.	Siddavaram Co-operative Society ...	"
10.	Kothapatnam Co-operative Society ...	"
11.	Dasarapalli Co-operative Society ...	"
12.	Pothegunta Co-operative Society ...	"
13.	Duggunta Co-operative Society ...	"
14.	The Calicut Christian Women Co-operative Thrift and Loan Society, Ltd.	Malabar.

## *List of Societies whose registration has been cancelled during the month of July last.*

	Name of the Society.	Name of the District.	Date of cancellation.
1.	Magatapalli Co-op. Society.	East Godavari. ...	2-7-35
2.	Coimbatore Devendra Pallar C. S.	Coimbatore ...	3-7-35
3.	Kannankarainai C. S. ...	Chingleput ...	3-7-35
4.	Karuvanpalayam C. S. ...	Coimbatore ...	4-7-35
5.	Kalapatti C. S. ...	" ...	5-7-35
6.	Chalaseri Christian C.S. ...	Malabar ...	8-7-35
7.	Ulligeri C. S. ...	" ...	9-7-35
8.	Sanoor C. S. ...	Chingleput ...	"
9.	Vannathampalayam F.L.C.S.	South Arcot ...	"
10.	Kerala Co-op. Ayurvedic Vaidyasala, Ltd.	Malabar ...	10-7-35
11.	Poovalai C. S. ...	Chingleput ...	11-7-35
12.	Eguvarpalayam C. S. ...	" ...	"
13.	Bathel Christian C. S. ...	Nellore ...	12-7-35
14.	Satyamangalam Devanga Co-op. Building Society Ltd.	Coimbatore ...	16-7-35
15.	Parithiyur C. S. ...	"	18-7-35
16.	Dhumantunigudem C. S. ...	West Godavari ...	20-7-35
17.	Vellanguli C. S. ...	Tinnevely ...	23-7-35
18.	Tirumali C. S. ...	East Godavari ...	"
19.	Brahmapuram F. L. C. S. ...	North Arcot ...	"
20.	Gudumotu C. S. ...	Kistna ...	25-7-35
21.	Varli C. S. ...	Anantapur ...	26-7-35
22.	Melmudalambedu C. S. ...	Chingleput ...	28-7-35
23.	Sri Orathur C. S. ...	Chingleput ...	30-7-35



## Registrar's Circulars.

N. A. 125/35.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 16th April 1935.*

T. AUSTIN ESQ., I. C. S.,  
*Registrar.*

### CIRCULAR.

*Subject:—Relief to borrowers in primary societies—in view of the continued economic depression.*

In view of the economic depression prevailing and in order to collect as much as possible of the arrears it was suggested last year to Central Banks and primary societies that the following concessions might be given to borrowers:—

(1) The rate of interest charged on new loans given by Central Banks to societies and by societies to their members might be reduced consistent with the reduced borrowing rates.

(2) Central Banks might collect interest at not more than  $6\frac{1}{2}$  per cent on all outstanding loans against societies, provided that the societies paid the entire interest due on or before the close of the year.

(3) Primary societies might collect interest at not more than  $7\frac{1}{2}$  per cent per annum on all loans outstanding against members provided the borrowers paid the entire interest due on or before the close of the year.

It was suggested that these concessions might be continued during the current year also (See Registrar's circular No. B. 4731-34, dated 19th October 1934). In view of the prolonged depression the Registrar has had under consideration for some time past the question as to whether any further reliefs than those suggested last year should be given to borrowers in primary societies. The Deputy Registrars were asked to examine the accounts of Central Banks and report whether they could afford to give any more relief. The Deputy Registrars have now reported that the bulk of the deposits in Central Banks have been renewed during the last three years with reduced rates of interest and that most of the Central Banks are in a position to reduce the rate of interest on loans outstanding against societies. It may be that in a few banks the expenditure should be cut down. There is no reason why Central Banks should continue to pay a high rate of dividend on share capital in these days of cheap money. As already advised, no bank need pay more than 5 per cent and the benefit of cheap money should be extended to the borrowers in primary societies who have been hit hard on account of low prices for their produce. A borrower in a primary society will prefer a reduction

## REGISTRAR'S CIRCULAR

in the rate of interest on his loan to a higher dividend on his share capital. Similarly a primary society will prefer a reduction in the rate of interest. For these reasons the Registrar now advises all Central Banks and primary societies to give the following further concessions to all borrowers :

(1) Central Banks may reduce further the rate of interest on loans to be given to societies hereafter. Some of them have already done this.

(2) Central Banks may also reduce the rate of interest on all loans outstanding, the reduced rate being made applicable only for the current co-operative year, that is to say, interest may be charged for the current co-operative year at the reduced rate on all loans whether such loans have or have not fallen due or been decreed. This concession is suggested with the idea of reducing the growing burden of interest. In many cases the interest due from a borrower in a primary society is more than the principal. Further accumulation of interest is undesirable.

(3) Central Banks need not charge compound interest on interest not paid.

(4) Similarly primary societies may reduce the rate of interest on all loans to be given hereafter.

(5) Primary societies may also reduce the rate of interest on outstanding loans whether such loans have or have not fallen due or been decreed, that is to say, if interest is paid on a loan outstanding, it may be calculated at the reduced rate from the date of last payment irrespective of the fact that the interest is due not only for the current year but also for the previous years.

(6) Penal interest may be abolished altogether. This has already been done in the case of depressed class societies. During the present period of depression the penalty has no effect on borrowers. The abolition will not affect the financial position of societies adversely.

Primary societies can amend their by-laws suitably to give effect to these suggestions and Deputy Registrars are authorised to register such amendments after examining the financial position of the societies concerned.

(By Order)

K. A. PADMANABHAN,

*Manager.*

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No. B. 5260/35.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 6th April 1935.*

T. AUSTIN ESQ., I. C. S.,  
*Registrar.*

CIRCULAR.

*Subject* :—Relief to borrowers—reduction of the rate of interest—  
concessions—continuance during 1935-36.

*Read* :—Registrar's circulars.

1. B. 1084-34 dated 24-2-1934
2. B. 4731-34 dated 19-10-34
3. A. 125-35 dated 16-4-1935.

In the first of the circulars quoted, the Registrar advised Central Banks and Primary Societies to give the following concessions to their members for the co-operative year 1933-34 :—

- (1) Reduction of lending rates on new loans ;
- (2) Collection of interest by Central Banks and societies on all loans outstanding at  $6\frac{1}{2}$  per cent and  $7\frac{1}{2}$  per cent respectively provided the interest due was paid before the 30th June ; and
- (3) waiver of penal interest by societies on overdue principal subject to the condition that the overdues were paid in full within a stipulated period.

In the second circular, these concessions were extended for 1934-35 also. On a re-examination of the position, the following further concessions were suggested in the registrar's circular A. 125-35, dated 16-4-1935 :—

(a) Further reduction in the lending rates of Central Banks and societies on new loans to be issued by them ;

(b) Waiver of penal interest by Central Banks on overdue instalments of interest and complete deletion of the provision in the bye-laws of primary societies regarding penal interest ;

(c) Collection of interest for 1934-35 by Central Banks and societies at the reduced rate of interest on *all outstanding loans* whether such loans had or had not fallen due or been decreed ; and

(d) Collection of interest by societies from members at the reduced rate from the date up to which interest was paid already whether interest due not only for the year 1934-35 but also for previous years provided the interest was paid before the 30th June 1935.

2. Money continues to be available at very lower rates of interest. The Government of India have this week floated a loan at 3 per cent per annum. In view of the easy money conditions, therefore the Registrar considers that Central Banks need not raise the rates of interest on deposits and that the benefit of the reduced rate should be extended to the agriculturists whose position has not yet improved and who still require relief. The concessions shown in the past 2 years may therefore

## REGISTRAR'S CIRCULAR

be extended for the current co-operative year also. All Deputy Registrars, Sub Deputy Registrars in independent charge and Central Banks are requested to see that societies are made aware of the continuance of the concessions for 1935-36 also and that the borrowers are given relief. The necessary amendments to bye-laws should be got registered soon. In amending the bye-laws, societies may specify a date from which the reduced rate of interest should be charged.

(By Order)

K. A. PADMANABHAN,

*Manager.*

F. 3366/35.

OFFICE OF THE

REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 13th May 1935.*

M.R.Ry. DIWAN BAHADUR K. DEIVASIKHAMANI MUDALIYAR, AVL.,

*Joint Registrar.*

### CIRCULAR.

[*Subject.*—Arbitration—Acknowledgment of debt by the sureties so as to save the loan from limitation—Instructions.]

Several instances have come to the notice of the Registrar in the course of revision petitions filed before him on the awards passed by Arbitrators under Section 51 of the Madras Co-operative Societies Act that societies generally fail to obtain acknowledgment of payments of moneys paid towards debts from sureties within the period of limitation or fail to obtain the consent of the sureties for any extension of time giving with the result that the claims against sureties have to be disallowed. There is practice among societies to obtain annually acknowledgment of debts from the borrower, and if this practice is extended to sureties and other parties involved in a debt, the trouble of watching whether the claim against a surety is time-barred or not may be avoided. Societies are requested to adopt this suggestion.

K. DEIVASIKHAMANI,

*Joint Registrar.*

No. D. Dis. F. 1851/35.

OFFICE OF THE

DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 3rd April 1935.*

M.R.Ry. M. GIRIAPPA, AVL., B.A.,

*Deputy Registrar.*

### CIRCULAR.

Co-operative Societies—Arrears of share capital—collection.

The Registrar had occasions to observe while inspecting village credit societies that annual instalments of share capital have not been collected in a large number of cases and this will be evident from the administration report for 1933-34. No steps appear to have been taken by the societies to collect the instalments of share capital from members. The Deputy Registrar wishes to impress on all societies that unless share instalments are collected regularly, the object of collecting share capital as an instrument of thrift cannot be achieved. All societies are therefore requested to collect the arrears of share capital in addition to the loans which are overdue when effecting collections from members.

(By Order),

M. J. NAYAGAM,

*Head Clerk.*

# THE MADRAS JOURNAL OF CO-OPERATION

No. D. 2122/35.

OFFICE OF THE  
DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 10 July 1935.*

M.R.Ry. M. GIRIAPPA AVL., B.A.

*Deputy Registrar.*

Reserve Fund—uninvested reserve fund—Remittance to central bank.

## CIRCULAR.

The Registrar observes that during his recent tours he noticed frequent instances of failure on the part of the societies to remit their reserve fund to the Central Banks to which they are affiliated. All societies are therefore requested to remit the uninvested Reserve Fund at once to the Central Banks. It is needless to state that the Reserve Fund forms the main strength of financial institution and is a first charge for the remittance for issue of audit certificate.

(By Order),  
M. J. NAYAGAM,  
*Head Clerk.*

No. D. Dis. C. 2256/35.

OFFICE OF THE  
DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 20th July 1935.*

M.R.Ry. M. GIRIAPPA AVL., B.A.,

*Deputy Registrar.*

## CIRCULAR.

Co-operative Societies—Police Employees in the Madras City—restriction in regard to admission in other societies.

There are two Police Co-operative Societies working in the Madras City; The Madras City Police Officials Co-operative Society, Ltd., it intended for those of and above the rank of Sub-Inspectors and the Madras City Police Constables Co-operative Society is for those of the rank of head-constables and constables. These two societies are considered sufficient for meeting the credit requirements of all the employees of the Police Department working in the City. There is no need for any Police Officer of any rank to join any co-operative society other than the Police Co-operative Societies. The Commissioner of Police, Madras, desires that the other societies working in the City of Madras should help him in this matter both in their own interest and also in the interest of the Police force. The societies are requested to see that no policemen are admitted as members in future and in regard to men who are members, if any, to inform the Commissioner of Police the names of such Policemen with the amount of debts due from them.

(By Order),  
M. J. NAYAGAM,  
*Head Clerk.*

## P. C. U. Circulars.

MADRAS PROVINCIAL CO-OPERATIVE  
UNION, ROYAPETTAH, MADRAS.  
*3rd September 1935.*

(To all the delegates of the General Body of the  
Provincial Co-operative Union.)

### I

Dear Sir,

The Annual General Body meeting of the Madras Provincial Co-operative Union will be held at Madras at 8-30 a.m., on Sunday the 29th September 1935 on the occasion of the 21st Session of the Madras Provincial Co-operative Conference to be held at Madras on the 28th and 29th September 1935.

You are kindly requested to be present for the meeting.

V. RAMADAS,  
*President.*

### II

(To all the Member Societies of the P. C. U.)

Dear Sir,

The Annual General Body meeting of the Madras Provincial Co-operative Union will be held at 8.30 a.m., on Sunday the 29th September 1935 on the occasion of the 21st session of the Madras Provincial Co-operative Conference to be held at Madras on the 28th and 29th September 1935. Your representative on the General Body has been informed to the effect and requested to attend.

Please remit if you have not already done so, the annual subscription due by your society, current as well as arrears without any further delay and oblige.

V. RAMADAS,  
*President.*

# Magic Lantern and Slides.

PREPARED BY THE

**Madras Provincial Co-operative Union,**

**ROYAPETTAH. MADRAS.**

**Magic Lantern.** This is a Swadeshi article, very suitable for Village Propaganda and quite cheap. It is worked by a Baby Petromax light, which, unlike carbide light, can be used for other purposes as well. The mechanism of the Lantern is very simple. Running cost very little, less than one anna per lecture. **Price of the Lantern Rs. 40 only.**

## **SLIDES.**

The Provincial Co-operative Union has prepared so for three sets of slides for co-operative propaganda.

**I. The Evils of Drink and Benefits of Co-operation.** This set of 33 slides depicts a very interesting and edifying story of village life. **Price Uncoloured Rs. 35. Coloured Rs. 50.**

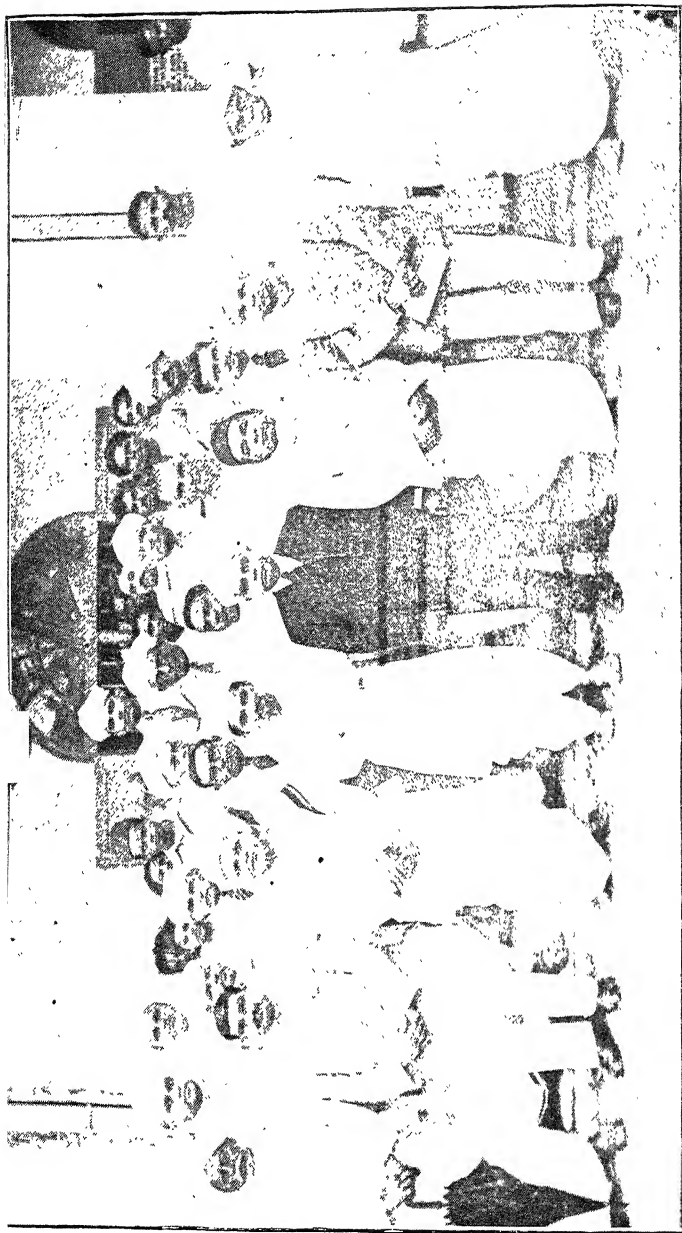
**II. Thrift and Co-operation.** An urban story. It shows how an educated man in Madras got into trouble owing to his thriftless ways and how he was saved by a Co-operator. 40 slides. **Price Uncoloured Rs. 40. Coloured Rs. 60.**

**III. Rural Reconstruction in Alamuru.** These slides illustrate the activities of the Rural Reconstruction Centre at Alamuru and the various benefits conferred on the people by Co-operative Societies and Village Panchayats Educative and Inspiring. 62 slides. **Price Uncoloured Rs. 62. Coloured Rs. 93**

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Group Photo taken on the occasion of the XX1 Madras Provincial Co-operative Conference held on 28th and 29th September 1935.  
In the front row fourth from left is Mr. V. L. Mehta, the President of the Conference.

# THE Madras Journal of Co-operation

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[No. 4

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## Editorial Notes.

### The XXI Madras Provincial Co-operative Conference.

Following the practice of previous years we have made this issue of the *Journal* a special number of the 21st Madras Provincial Co-operative Conference, which took place at the P. S. High School, Madras, on the 28th and 29th September last. The Conference is now being held in alternate years, the last one having been held in June 1933. Delegates from all important co-operative institutions of different types were there, numbering about 300. Greetings and messages were received from a number of important institutions in foreign countries and in the several provinces of India, while the Registrars of Baroda and Travancore delivered theirs in person. The presidential chair was occupied by Mr. V. L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank, and son of Sir Lallubhai Samaldas, the oldest and the most distinguished leader of the co-operative movement in India. Bombay being so rich in stalwarts, in the field of co-operation as well as in other fields of public activity, we have indented upon it on several occasions for presidents of our provincial co-operative conferences; but it has given us peculiar pleasure to have had both the father and the son among such

presidents. When Mr. Ramadas Pantulu described Mr. Mehta as "a worthy son of a worthy father" in proposing him to the chair, he did not employ a mere conventional phrase. The very soul of modesty, Mr. Mehta considered himself unworthy of the great honour conferred on him, but those who were responsible for choosing him as president of this conference knew that none was better qualified than he by ability, study and a practical knowledge of co-operative matters. He fully justified their selection and the session of the conference under his presidency was a very successful one.

### Welcome Address.

The address of Mr. Ramadas Pantulu, who as President of the Madras Provincial Co-operative Union which organises this conference, welcomed the delegates, was characterised by brevity and pointedness. What he considered to deserve the greatest emphasis in his address was the loss of faith in themselves on the part of non-official co-operators in whom the tendency was observed "to rely less and less on themselves and to throw up their responsibility and to depend more and more on the official agency and to shift the burden on to it to put matters right and to resuscitate the movement.....The first and foremost reform therefore that is now called for is a mental reconstruction among our official and non-official co-operators and a resurrection of faith in the fundamental doctrines of Co-operation which is part of a larger movement of national reconstruction." Without regaining confidence in ourselves, he rightly pointed out, no attempt at reforming the movement will bear fruit. These remarks are not intended to apply to those members of societies who by lack of knowledge and ability are unable to set right their societies, but to those others who could do so but prefer the easier course of leaving to officials the task of taking unpleasant steps to set societies right. By doing so not only do they lose self-respect and the respect of the officials, but also weaken the foundations of the entire edifice of co-operation. Mr. Ramadas Pantulu did well to emphasise the point, and we hope it will be borne in mind by both officials and non-officials.

He then deplored the lack of cohesion in the units of the co-operative structure owing to which the institutions are only too conscious of what they consider to be their inviolable rights but have not been acting as the integral parts of a single machine. As such integral units of a single organisation, the Central Banks and the Provincial Bank should be ready to assume greater responsibility for

the development of marketing and purchasing societies. Pursuing this line of thought, he strongly disapproved the formation of a separate provincial society for handloom weavers for providing credit to the industry and the proposal—now, however, dropped—to form another provincial credit society for building societies. “If, for instance, the existing co-operative credit facilities were availed of” said he, “for the development of handloom weaving, I feel that the grant made by the Government of India for this purpose might have been put to much better and more effective use and much needless expenditure avoided.” This argument acquires additional force by the fact that the Central Banks and the Provincial Bank are greatly embarrassed by unemployed surplus funds. Lastly, having expressed the hearty support of co-operators to Dewan Bahadur Ramalingam Chettiar’s Debt Conciliation Bill and their satisfaction at the favourable attitude of Government towards it, he called upon the conference to formulate a scheme whereby co-operators may take their full share in promoting the objects of the Bill. He also pleaded strongly for an all-round reduction in the rates of interest in co-operative institutions. On these subjects the conference adopted suitable resolutions—as was only to be expected, since the increased burden of debt has made its relief the most urgent problem of the movement.

### Presidential Address.

At the outset Mr. Mehta confessed that recently a feeling had come over him that “the discussions of our domestic problems and the introduction of changes in our internal mechanism can really make little difference in the re-ordering of the movement, overwhelmed as we are by an economic crisis, the worst sufferer from which has been the primary producer, for whom the co-operative movement in India is primarily intended.” This economic crisis cannot be tided over except by State action and because that action has not been taken by the Government in India in the manner it has been taken in other countries, Mr. Mehta devoted a large part of his address to a strong but not undeserved criticism of the Government. The keeping of the exchange ratio at 1s. 6d., the present Finance Member’s contemptuous opposition to all economic planning, his adherence to out-of-date doctrines of *laissez faire*, the manner in which the grant for rural development is allowed to be spent in the provinces, particularly in Madras, the failure to invite non-official co-operation in

spending the special grant for co-operative education, the appointment of a person having no previous acquaintance with India or its agriculture or its marketing conditions as the special all-India marketing officer—these and some other actions of Government drew Mr. Mehta's trenchant criticism. Regarding the decision of the Government of Madras to spend the sum of Rs. 14 lakhs, its share in the Government of India's grant for rural development, on water supply, communications, sanitation etc., Mr. Mehta observed, "One of the conditions which the Government of India have laid down is that grants should be devoted only to schemes which the Local Government would not otherwise have been able to undertake in the near future. The four items mentioned above are, however, such as should ordinarily be met out of the resources of the province etc." He also drew attention to the fact that the Finance Member had stated in his speech that preference should be given to schemes which were intended to bring additional income to the rural population by the improvement of agriculture and the development of local industries but that the Government of Madras appeared to be blissfully ignorant of his intention. One is not surprised that for saying this Mr. Mehta has been strongly criticised by the Ministerial organ 'Justice'. It has however not diminished the force of Mr. Mehta's criticism in any measure.

Mr. Mehta then described briefly the steps taken by his province for helping the agriculturist during the present economic depression. The first step taken was to give an assurance to members of co-operative societies that fresh finance would be forthcoming against repayments, however small these might be. We are afraid our province cannot claim to have done so. Rates of interest have been reduced generally, "the system of charging penal interest has been abandoned, and where the burden of the existing liabilities is very onerous, reductions are allowed even in the accumulated simple interest that is to be recovered." These steps are similar to what have been taken in our province and perhaps elsewhere also. Mr. Mehta then dealt briefly with the question of supervision, over which a controversy even greater than here has taken place in Bombay. Supervising unions of the kind existing here were introduced in Bombay only some ten years ago, but their scrapping was recommended about two years ago by a Reorganisation Committee appointed by Government. As there was a unanimous protest against that recommendation, another Committee was appointed to examine the recommendation. The latter Committee favoured unanimously the continuance

of the unions and recommended further the formation of district boards to guide the unions and the train, appoint and control the supervisors. These boards correspond to our federations. A point of difference between Madras and Bombay shown by Mr. Mehta was "that in Madras until recently it was the generally accepted view that central banks should not have their own inspecting staff and should utilise the agency of unions for the assessment of credit of affiliated societies and the recovery of loans. In Bombay, the central financing agencies were called upon to shoulder the responsibility for the performance of these functions at a very early stage in their career, and the supervising unions do not displace their agency." The practice prevailing at present and also the opinions regarding the unions are, we believe, now very much alike in Madras and Bombay.

## Resolutions.

The first two resolutions were put from the Chair. One of them requested the Government of India to consult the Provincial Co-operative Banks while establishing the Rural Credit Section of the Reserve Bank of India and to make Mr. Darling's report available to them. The other related to co-operative education and regretted that the Government of India in making the special grant for that purpose had not made it obligatory for Local Governments to consult the provincial co-operative institutes in regard to the manner of utilisation of the grant and further urged the Government of Madras to consult the Madras Provincial Co-operative Union in framing their scheme of co-operative education. These subjects were adequately dealt with by Mr. Mehta in his presidential address and there was absolutely no difference of opinion about them among the delegates. Hence they were put from the Chair. We do hope that not only in Madras but in every province the services of institutions which exist for carrying out co-operative propaganda and education will be fully utilised in framing schemes for spending the special grant given by the Government of India. A considerable portion of this grant is ear-marked for the education of the member of the rural society. This object cannot be achieved unless the non-official co-operators and the Department work together heartily. There has existed all along very close co-operation between the Department and the Madras Provincial Co-operative Union in respect of the training of supervisors. There is therefore no reason to

suppose that the resolutions of the conference will not be respected by the Government.

The next five resolutions form a group having for their object the relief of the indebted agriculturist. One of them urged the Central Land Mortgage Bank to so lower its rate of interest that the ultimate borrower may obtain money at 5 per cent, to extend the period of repayment from 20 to 40 years and to raise the maximum amount of loan to individuals from Rs. 5,000 to Rs. 10,000. Another requested the Government to give these facilities of 5 per cent interest and 40 years period to the cultivators seeking relief under the Agricultural Loans Act for discharging their conciliated debts. A third resolution recommended the organisation of a Trustee Bank, while the next two urged respectively the reduction in the rates of interest and the extension of the period of repayment in co-operative societies in respect of both outstanding and future loans. It is noteworthy that both the Joint Registrar of Co-operative Societies and the President of the Provincial Bank declared in the clearest manner that the societies were in a position to reduce their rates of interest to their members and that they ought to do so without delay.

In this connection we are glad to understand that at the last meeting of the Executive committee of the Madras Central Co-operative Land Mortgage Bank, which was held after the conference, the rate of interest to societies was reduced to 5 per cent on condition that the societies in their turn reduced the lending rate to their members to 6 per cent and that the Government approved of the raising of the maximum borrowing power of individual members to Rs. 10,000 from Rs. 5,000, as proposed by the Bank, in areas approved by the Registrar. The resolution addressed to the Central Land Mortgage Bank has thus been largely, though not fully, complied with.

The resolution on the trustee bank requires some elucidation. It was moved by Dr. B. Pattabhi Sitaramayya of Masulipatam, who, while narrating before the conference his experience as 'trustee' for a friend for the purpose of clearing his debts, however, left the details of the scheme for a trustee bank to be gathered from an article contributed by him on the subject to the April number of the *Indian Co-operative Review*. Therein he says :

"The object of the bank should be to finance a series of trusts each of which is managed by a trustee. The trustee should be empowered to settle the liabilities of the trust. He can borrow money at easy rates from the trust bank and repay the creditors

on favourable terms. He can sell the property of the trust at leisure and repay the bank in full. All this may not take longer than two or three years, so that theoretically a four years' fixed deposit may serve the needs of the trust. But as the bank is intended to help in the operation of the affairs of a series of trusts, it may be reasonable to say that the bank should receive fixed deposits for a term of ten years or float debentures to be redeemed after a period of ten years or earlier at the pleasure of the bank, and the rest of the operations will but closely follow the steps and stages that are met with in respect of the usual Land Mortgage Banks of the day. The debentures will be supported by indentures and the latter will be transferred to a trustee and the trustee holds the indentures as the guarantee for the debentures."

Dr. Pattabhi Sitaramayya said that it was quite possible to organise the trustee bank as a joint stock company, but its organisation under the Co-operative Societies Act would make it a useful handmaid for debt conciliation in which co-operators were very keenly interested. It was not as though the delegates readily saw the feasibility of this idea of a trustee bank. One of them declared that nobody would come forward to take over as trustee the debts of another and discharge them. Only on Mr. Ramadas Pantulu pointing out that if the conference passed the resolution the Executive Committee of the Provincial Co-operative Union would examine the question to see how far it is practicable and to formulate a scheme for further consideration of co-operators, did the delegates pass the resolution by a majority—more, we should think, with a view to give the idea a trial than being fully convinced of its feasibility.

Of the other resolutions, two were concerned with the co-operative marketing of agricultural produce. One of them requested the Registrar and the Provincial Co-operative Union to prepare a scheme for starting Purchase and Sale societies with suitable godowns, at least one for each taluk, and it further requested the Government to finance the construction of the godowns out of the Village Development Fund. If by the latter is meant the special grant made by the Government of India, the disposal of which was so trenchantly and deservedly criticised by Mr. Mehta in his presidential address, we fear there is little likelihood of its being made available for this purpose. But the construction of godowns need not depend on the Fund. If a suitable scheme be forthcoming, the apex bank and the central banks, embarrassed as they are with unemployed



money, would be willing enough to finance the construction of godowns. The other resolution recommended special financial facilities for societies which followed the advice of the Agricultural Department in the raising of crops and the sale of produce. It is an unfortunate fact that the Agricultural Department and the co-operative societies are not utilising each other's services to anything like the extent to which they ought to. We hope this resolution will lead to the establishment of a closer relationship between them.

Of very great practical importance was the resolution which requested the Government to reduce at least by 50 per cent the audit fees levied on co-operative credit societies of limited liability. The present scale is unconscionably high and is felt as great hardship by the societies concerned. The point has been urged on the Government at several other conferences, who, we hope, will recognise that it is never too late to do justice.

### A Warning to Village Societies.

Below are given the particulars of a typical transaction of a village society, in which uninformed enthusiasm has landed it in very serious loss. The particulars are supplied by the Joint Registrar with a view that they may serve as a warning to other societies :

'A co-operative credit society purchased a motor plough in 1929 by raising a loan of Rs. 3,000 from the District Co-operative Central Bank. The purchase was made without consulting the Agricultural Department or without even considering how far the plough would be used by the members. During the first three years of its purchase, viz., from 1929 to 1932, the members hired the plough and used it. But the venture continued to result in loss to the society, except in 1930-31, when a small profit was made. From 1932 no use was made of the plough. It has allowed to deteriorate for nearly 3 years and was sold in July 1935 at a price much lower than its estimated value. This has resulted in a heavy loss to the society and its realisable assets have fallen far short of the liabilities.'

## XXI Madras Provincial Co-operative Conference

*(Held on the 28th and 29th September 1935.)*

The XXI Madras Provincial Co-operative Conference assembled at the P.S. High School, Mylapore, Madras, on Saturday the 28th September 1935 at 4 p. m. under the presidentship of Mr. V. L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank. Among those present were Sir Vepa Ramesam, Mr. T. R. Venkatarama Sastriar, C.I.E., Dr. B. Pattabhi Sitaramayya, Dewan Bahadur T. Raghaviah Garu, C.S.I., Dewan Bahadur V. Bhashyam Ayyangar, Rao Bahadur C. Gopala Menon, Rao Bahadur T.M. Narayanaswami Pillai, M.L.C., Mr. C.V. Krishnaswami Iyer, Retired District Judge, Mr. S. S. Saukara Mudaliyar, Dr. P. S. Lokanathan, Prof. S. K. Yegnanarayana Aiyar, Mr. K. C. Ramakrishnan, Mr. K. Bhashyam Ayyangar, Mr. V. C. Rangaswami, the Registrar of Co-operative Societies, Baroda, the Registrar of Co-operative Societies, Travancore, and many other prominent co-operators of the presidency.

### WELCOME ADDRESS

Mr. V. Ramadas Pantulu, President of the Madras Provincial Co-operative Union, welcomed the delegates and in doing so he delivered the following address :—

#### BROTHER DELEGATES AND FRIENDS :

I beg to extend to you on behalf of the Madras Provincial Co-operative Union a most hearty welcome to the XXI Session of the Madras Provincial Co-operative Conference. This Conference meets at a time when the Co-operative Movement in this Province is passing through a serious crisis, and the situation has become more critical than it was two years ago when you last met ; and I have no doubt that all those who are interested in the Movement will watch our deliberations with keen interest, in the hope of getting some useful and definite lead from us to extricate the Movement from the difficult position in which it is to-day. We may well congratulate ourselves on our being able to secure the services, at the present juncture, of so well informed an enthusiast in the cause of Co operation as my esteemed friend, Mr. Vaikunth Mehta, to guide us in our deliberations with his intimate and profound knowledge of the problems with which the Movement is confronted to-day. I hope and trust that the short time at our disposal to-day and

to-morrow will be profitably utilised to find some practical solutions to our most pressing problems, keeping controversies on non-essential matters in the background.

The most distressing feature of the Movement to-day in my opinion, is the loss of faith in themselves on the part of non-official co-operators. That all is not well with the Movement, or to be more candid, that it is suffering from serious ailments may be conceded. But what is the remedy? There is an increasing tendency on the part of non-official co-operators to rely less and less on themselves and to throw up their responsibility and to depend more and more on the official agency and to shift the burden on to it to put matters right and to resuscitate the Movement. As for the official agency itself, with its traditional and pathetic faith in spoon-feeding, it of course never had any other prescription for non-officials maladies except an extra-strong dose of official control, with a corresponding dilution of non-official direction. In my humble opinion, this mental depression in non-official co-operators is fraught with greater danger to the Movement than even the economic depression. A development of such psychology will lead to the eventual extinction of all that is good and worth striving for in Co-operation, whose essential attributes are freedom of initiative and democratic control and whose cardinal virtues are self-help and self-reliance. The first and foremost reform therefore that is now called for is a mental reconstruction among our official and non-official co-operators and a resurrection of faith in the fundamental doctrines of "Co-operation" which is part of a larger movement of national reconstruction and whose definite aim is to bring about the economic emancipation of the masses. Without confidence in themselves and courage to shoulder full responsibility for the management of their affairs on the part of non-official co-operators, no attempt at reforming the Movement will bear fruit.

Another regrettable feature to which, in my opinion, the present weakness of the Movement is largely attributable, is the absence of cohesion in the several units of the co-operative structure. They are to-day so many isolated bodies each claiming its own autonomy and are not the integral parts of a single organisation, which is capable of giving a drive from the centre. It is not the power or strength that is derived from combination that appeals but the consciousness that each unit has its exclusive inviolable rights and an assured fractional share in the common inheritance. Any attempt at centralisation of policies or effort in any particular sphere is resented as offending against the autonomy of the individual institutions. This notion is, in my opinion, radically wrong, for in a federal structure the power in the centre can be fully harmonised with autonomy which is broadbased on the ultimate democratic control by the units which voluntarily federate and cede such power, which they may take back if misused. I feel that unless and until we effect radical alterations

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in the structure of our organisation so as to integrate it and make its various units function as dependant parts of a single machinery, there can be no tangible improvement in the present position.

I take it that the aim of Agricultural Co-operation is to improve the economic condition of the farmer, through co-operative credit, which frees him from exploitation by outside capital; co-operative marketing, which increases his income; and co-operative purchasing, which increases the buying power of that income. If so, it is a plan and a programme which can only succeed by the closest co-ordination of the activities of the several parts of the co-operative organisation. Is there any evidence of such co-ordination in each of these branches of Co-operation and between the several branches *inter se*? I find none. We must make definite plan at once for putting our credit structure on a more sound and satisfactory basis so as to make the primary credit societies, the central banks and the provincial bank function as integral units of a single organisation and to connect it with our marketing and purchasing organisations.

While our credit organisation is thus in need of being welded together and linked up with other branches of co-operative endeavour, our Provincial Government has developed an extraordinary craze for the multiplication of new provincial credit societies and for decentralisation or departmentilisation of finance in a way. They started a provincial society to finance (among other objects) handloom weavers through 'weavers' co-operative societies, and threaten to start another to finance urban house-builders through co-operative house-building societies, as if the existing co-operative credit institutions, which have been laboriously built up during the last three decades, cannot find the funds needed for the purpose. In my opinion, the non-utilisation of the existing credit machinery, with suitable and necessary readjustments, for the development of industrial co-operation, co-operative marketing and co-operative trade, is a very short-sighted policy and will involve duplication, overlapping and waste for which there is absolutely no justification. If, for instance, the existing co-operative credit facilities were availed of for the development of handloom weaving, I feel that the grant made by the Government of India for this purpose might have been put to much better and more effective use and much needless expenditure avoided. I, therefore beg leave to extend to the Provincial Government also my humble appeal for centralisation of policy, concentration of effort and co-ordination of the activities of the different parts of the co-operative organisation.

There is one other topic to which I desire to refer before I conclude. It is the question of rural indebtedness about which so much is said but very little is done, and the relation of co-operation to it. The Debt

Conciliation Bill introduced into the Provincial Legislative Council by my esteemed friend, Dewan Bahadur T. A. Ramalingam Chettiar, is in the Select Committee stage and I understand that the attitude of the Government towards it is sympathetic, and that it will find its way to the Statute Book in a couple of months. The Special Officer appointed by the Local Government to report on the problem of rural indebtedness and to suggest remedial measures has, in his very valuable and well-considered report, which is semi-officially published recently, blessed the scheme of Debt Conciliation embodied in the Bill. It is true that most creditors will agree to take 60 per cent or even less of the total debt in entire satisfaction of their claim, if that is paid in cash. But what is the agency to pay it is the real question. The Local Government has therefore come forward with a scheme to finance the agriculturist to help him to liquidate his prior debt; the Agricultural Loans Act is amended for this purpose and with the active co-operation of the Board of Revenue arrangements are being made to put the scheme into operation at once. But State aid must be largely supplemented by other agencies even to touch the fringe of the problem of rural indebtedness. We co-operators must take our full share in this scheme of debt conciliation. As the legislature and the Government have created facilities for reducing the size of the debt by conciliation, we must evolve schemes to help the agriculturist to find the amount of the reduced debt to satisfy his creditors. I hope this Conference will formulate such a scheme. In this connection, I must say that I am unable to agree with the view expressed by my esteemed friend, Dewan Bahadur Sir M. Ramachandira Rao, that co-operative societies (land mortgage banks and credit societies) must be exempted from the operation of the Debt Conciliation Act. I think that there is a good, if not an unanswerable, case for conciliating co-operative debt as well and for considerable reduction of rates of interest charged on co-operative loans. I appeal to the President of the Madras Co-operative Central Land Mortgage Bank to take steps to reduce the lending rate to the ultimate borrowers to 5 p.c. having regard to the fact that he is able to get his debenture money at  $3\frac{1}{2}$  per cent. The Madras Provincial Co-operative Bank and the Central Banks must also help the rural credit societies to reduce their lending rates so as to make money available to agriculturists at about 5 per cent. In the drive to help the agriculturist to buy his finance cheap and sell his produce dear and to conciliate his debts, the Madras Provincial Co-operative Bank must take the lead and give a new orientation to the Movement.

There are other important problems as well which will engage your attention and call for suitable solutions during the deliberations of the Conference. I shall not, however, take up any more of your time in discussing those problems. I now request you to instal your President elect in the chair and proceed with your agenda.

Then Mr. V. L. Mehta took the chair amidst applause.

Mr. V. Venkatasubbaia, one of the Secretaries of the Madras Provincial Co-operative Union, read greetings and messages from a large number of prominent co-operative institutions and co-operators from foreign countries and from various provinces in India. (*Vide* Appendix A).

### PRESIDENTIAL ADDRESS

Mr. Mehta then delivered the following Presidential Address :—

I am afraid my command over language is too poor to enable me to find words appropriate enough to convey to you, the co-operators of the Madras Presidency, my deep sense of gratitude for the honour you have done to me by asking me to preside over the deliberations of your Provincial Conference. You have been particularly partial, I am aware, to your confreres in the Bombay Presidency, distinguished co-operators from which province you have often called upon, in the past, to grace this chair. But that partiality is really carried too far when you compel an humble worker to leave his desk and assume a role for which he is scarcely fitted.

It is over two years, I find, since you met last in a Provincial Conference; but this passage of time has not seen the dissolving of the clouds that overhang the co-operative movement, both in your Presidency and elsewhere in India. This period is, however, important for the vigorous attempts made everywhere to grapple with the difficulties facing the movement; and, as in other respects, your Presidency is to the fore in analysing the complexities of the situation and in trying to seek a solution. It will be one of the main duties of this Conference, I imagine, to survey what has been achieved in this direction and to indicate the lines along which these attempts at rehabilitation and reconstruction should proceed in the future. As a practical working co-operator, these problems do indeed interest me, and any experience that I may have gathered in the course of my work in your sister province will be at your disposal in the consideration of these problems. Recently, however, the feeling has been uppermost in my mind that the discussions of our domestic problems and the introduction of changes in our internal mechanism can really make little difference in the re-ordering of the movement, overwhelmed as we are by an economic crisis, the worst sufferer from which has been the primary producer, for whom the co-operative movement in India is principally intended.

Even as it was, the agriculturist's burden of debt was notoriously heavy, but the depression has added to the burden to an extent that has made relief from it a social problem of the gravest magnitude. No solution of this problem of agrarian distress is feasible except on the initiative of the State, and that is the reason why in all countries we find

governments embarking on schemes of economic planning intended to avert the threatened disaster by rebuilding the rural economic structure on a well-ordered plan. In his invaluable work, "Planned Economy for India," Sir M. Visvesvaraya thus describes the outstanding defects of rural life: "the excessive pressure of the population on land, the small size of holdings and their progressive fragmentation, the primitive methods of cultivation followed, the waste of farm manure, irregular hours of labour, insufficient and uneconomical utilization of women's services, the lack of finance for farm work, the old-fashioned character of the subsidiary occupations pursued, the crushing indebtedness of the ryot, short employment, universal illiteracy and phenomenal poverty." If a change in this position is to be secured, observed the Royal Commission on Agriculture in India, "it is essential that all the resources at the disposal of the State should be brought to bear on the problem of rural uplift," and that there should be "an organised and sustained effort by all those departments, whose activities touch the lives and the surroundings of the rural population." It is now eight years since Lord Linlithgow and his colleagues summed up in these terms their recommendations to the Government of India. While not denying that stray attempts have been made to carry out some of the individual recommendations of the Commission, I doubt very much whether in the councils of Governments there have been "a conscious will, a completed design and a capacity to circumvent seeming difficulties" that are expected of those who are "charged with the high duty of furthering national well-being for national ends."

The immensity of the task has been enhanced by the plight to which the primary producer has been reduced by a fall of about 45 per cent. in the value that he derives for the output of his fields. I propose briefly to examine how the State in India has responded to the call of the primary producer for succour in his hour of distress. But before examining the contribution made by Government to the alleviation of distress—it is pertinent to make a reference to what Government have failed to do or have refused to do. In the first place, Government have made no attempt whatsoever to secure any increase in the level of agricultural prices, and the improvement that has taken place in the outlook before the cotton cultivators is primarily due to measures inaugurated in the United States of America. There are various devices by which the agriculturist can be enabled to secure a better return for his products, and all or several of these are in operation in various parts of the world, including Great Britain. But the Finance Member of the Government of India refuses even to look at—much less examine—any of those devices, and he uses the elegant phrase "monkeying" for the most well-supported of these devices, namely, the devaluation of the Rupee. From the point of view of the

Government of India, the demand for a lower ratio has probably passed into the stage of a futile academic controversy, but according to an experienced British businessman, Sir Montagu de P. Webb of Karachi, "the only way in which India can meet the danger of dumping from all quarters is to concentrate an attack on the noxious overvalued Rupee". India's life, according to him, is steadily ebbing away under the strangling influence of the Rupee linked to sterling at 1 '6, and "the stubbornness of the Government of India in clinging to it as though India's life depended on the maintenance of this ratio is the despair of the well-informed." The Reserve Bank of India Act has, however, accorded statutory recognition to the present monetary standard and has postponed reconsideration until such time as the international monetary position has become sufficiently clear and normal, as if there can ever be a state of stability in the world of finance so liable to be upset by even a passing gust of wind.

One can understand that a particular line of action is unsuited to particular circumstances, but no responsible authority can afford to sit still and do nothing, allowing economic forces to have unfettered sway. The task of the statesman is to utilize these forces for the good of the nation committed to his care by a system of well-ordered planning. But to the Finance Member of the Government of India the term "economic planning" is anathema, standing invariably for cheap nostrums and quack remedies. Proposals for the development of public works, for the floatation of a reconstruction fund to finance such development, for the modification where necessary of the country's fiscal policy, for the grant of subsidies and bounties are all unceremoniously rejected as economic heresies and as savouring of socialism. Sir James Grigg's notions of economic progress are nearly half a century too old, because to-day all over the world most thinking men and women admit that "if by socialism we are to understand the jettisoning of *laissez faire*, it is certainly true that none, however deeply steeped in the traditions of the nineteenth century, can examine the present state of affairs and construct a policy which is not socialistic."

Even the Government of India before Sir James Grigg came on the scene, recognized the need for the formulation of a policy of economic development to meet the situation caused by "the fall in the prices of and demand for agricultural commodities and the effect of the fall on the condition of the agricultural classes." It was to consider, after mutual consultation, the action that could be taken to deal with the situation that they called in April last year a Conference consisting of the Ministers, Members, and other representatives of Provincial Governments, the conclusions of which Conference are described in a communique issued



on the occasion as initiating a co-ordinated policy for economic improvement. The programme formulated at the Provincial Economic Conference contained mostly an extension of the activities already in hand in various provinces and represented no departure in policy. So that, at best, the sole contribution of the Government of India towards the relief of a grave distress may be described in the words of the Finance Member himself "as praying in the first place for a disposition in the world to return to the doctrine of cheapness and free exchange and the abandonment of the cursed doctrine of scarcity, and, in the meantime doing what we can, in innumerable small ways to improve the condition and increase the efficiency of the producer, particularly the primary producer." The method by which the Finance Member wishes to secure this improvement in the economic condition of primary producers is by starting from individual villages and then working upwards. The sum of a crore and thirteen lakhs set aside from last year's surplus of the Government of India is intended to promote development along these lines. The grant is made to Provincial Governments for schemes in rural areas intended to promote the economic development or improvement of such areas. These terms are explained as covering all measures which conduce to the amelioration of the conditions of the cultivators and other sections of the rural community, particularly the introduction of improved methods of agriculture, the establishment of industries to give employment to and increase the income of the cultivators, and measures designed to effect a general improvement in the condition of village life. Out of the total grant made, a sum of Rs. 15 lakhs was earmarked for expenditure on the co-operative movement; and the whole of this amount, it has now been announced, is to be devoted to giving effect to educational schemes worked out in consultation with the Registrars of Co-operative Societies in various provinces. I shall revert to this topic later, and shall, for the present, confine my remarks to the manner in which the special grant is proposed to be spent for purposes other than co-operative education.

The amount falling to the share of the Madras Presidency is Rs. 14 lakhs, of which Rs. 5.50 lakhs are to be utilized for the provision of rural water supply, Rs. 4.50 lakhs for the development of village communications, Rs. 3 lakhs for the improvement of village sanitation, and Rs. 50,000 for anti-malarial measures, the remaining sum of Rs. 50,000 being placed at the disposal of district officers for discretionary grants. One of the conditions which the Government of India have laid down is that the grants should be devoted only to schemes which the Local Government would not otherwise have been able to undertake in the near future. The four items mentioned above are, however, such as should ordinarily be met out of the resources of the province, though no one will grudge expenditure on essential services which should have been the

primary concern of the State, but which—for reasons into which it is needless to enter here—have been hitherto neglected. But the Finance Member also indicated in his Budget speech his preference for schemes which brought additional income to the rural population by the promotion of schemes of improved agriculture and of industries likely to provide local employment. It is a matter for regret that out of the large grant made available to this Presidency no portion is proposed to be spent on the building up of the economic strength of the people. The Finance Member wishes to see the efficiency and the productive capacity of the primary producer improved by efforts starting from the individual village upwards, but those responsible in Madras for the framing of schemes for the allocation of the Government of India grant appear to have been blissfully ignorant of his intentions.

When it was originally decided to earmark a sum of Rs. 10 to Rs. 15 lakhs out of the grant for expenditure on the co-operative movement, the Finance Member expressed the hope that this contribution might assist the Provincial Governments to develop the movement on sound financial foundations. Details of the measures for which and the conditions on which the grants were to be allowed would, he added, be settled after Government had considered the report of Mr. M. L. Darling who was placed on special duty in connection with the creation of the Agricultural Credit Department of the Reserve Bank of India. It is now over half a year since this pronouncement was made, and yet, so far as I am aware, no further announcement has been made on behalf of Government about the manner in which the grant is to be spent, except the bare mention of the fact that the entire amount is to be devoted to schemes of education. Important as is the place of education in the evolution of a sound co-operative commonwealth, I hold that a portion at least of the grant should have been utilised for purposes other than education. Without wasting money on experiments or on hazardous ventures, various useful co-operative activities could have been promoted and stimulated by the grant of judicious State help, either direct or indirect; and in my province, at any rate, several valuable suggestions were made to the Co-operative Department including,—I may cite as an illustration—propaganda for the consolidation of holdings on lines so well developed in the Punjab by the education of rural public opinion in favour of the measure. Co-operative education to be effective as the basis of co-operative progress must itself have as its foundation the diffusion of a knowledge of letters and the creation of a desire for knowledge among the mass of rural co-operators. It is now a quarter of a century since an insistent demand was first made by the leaders of the nation that the State should embark on a campaign for the liquidation of illiteracy. What miserable progress we have achieved in that direction is evident from a glance at the statistics compiled at each successive

census. For an illiterate proletariat there can be no talk of progress, and just as we must fail in organizing economically a hungry half-starved proletariat purely on the basis of self-help and thrift, so also shall we fail in rousing the unlettered peasant to combined action for common good.

Now that it is definitely settled that the grant is to be used for co-operative education it is our duty to put forward suggestions to ensure its being spent to the best purpose. The Government of India are not unaware of the fact that there are in existence in the provinces institutions, one of the main objects of which is the promotion of co-operative education; and yet, to my knowledge, no attempt has been made by them officially to ascertain the views of these bodies in all the provinces and of the All India Institutes' Association at the apex about the manner in which facilities for co-operative education can best be developed. Not that our leaders have not bestowed any thought on the subject. That the question has already engaged the serious attention of the All-India Institutes' Association is evident from the valuable symposium on the subject published in the last issue of its official organ, *The Indian Co-operative Review*. Mr. V. Ramadas Pantulu has reviewed the position and put forward a programme of work which represents an improvement on the proposals adumbrated by the Indian Central Banking Inquiry Committee. One factor that he has emphasised is of paramount importance. In all co-operatively advanced countries, the direction of co-operative education is the special privilege of the movement itself, and the regional unions as well as the provincial or national federations or organization societies in other countries exist primarily for that purpose. In several Indian provinces the function of education has been transferred to the provincial unions and institutes, and the Indian Central Banking Inquiry Committee agreed that educational institutions should be run by non-official co-operators themselves. It will be a step backwards, therefore, if when the grant for co-operative education is placed at the disposal of the provinces the Provincial Governments decide to organize the work of co-operative education through a purely official agency, ignoring, as it were, the claims of the popular institutions to be entrusted with the work. I observed at the outset of my remarks on this subject that provincial organizations had not been consulted about the development of arrangements for co-operative education, but I note with satisfaction that this has not been the case in Madras. It is essential that in all provinces there should be similar joint deliberations between the Co-operative Department and the provincial unions or institutes in order that the services of non-official co-operators can be fully utilized in building up a sound system of co-operative education for all grades of co-operative workers.

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Before I leave the subject of co-operative education, I should like to emphasise the need for spending some part of the money that is to be made available on the publication of simple literature in the various provincial languages. The more we have of such literature the more is our work of diffusing education facilitated. At the same time, we should spend some money on the production of posters, the preparation of lantern slides, and the adoption of other methods of visual instruction necessary for securing the spread of education among an unlettered community. Lastly, I should like to observe that while facilities may be made available for the training of what we call the superior grades of co-operative officers, it should also be our aim to educate the secretaries and office-bearers of primary societies in villages and hold educative rallies where simple talks and discussions on matters of common interest can be arranged for the benefit of the ordinary members of the societies.

Among the subjects that must first engage our attention in the consideration of any programme of economic planning in India is the relief of agricultural indebtedness. The Provincial Economic Conference, to which I have already alluded, recognized that the problem had acquired a new intensity and significance as a result of the fall in prices. The line of treatment discussed at the Conference was twofold: the adoption of legislation to deal with usury in all its aspects and to afford protection to agriculturists in the abnormal situation that had arisen, and, simultaneously, the introduction of a machinery for a long term credit. The Conference decided to leave it to the Provincial Governments to take action in both the directions. In the Madras Presidency, it is some years now since you created a system of land mortgage banks, with a central land mortgage bank at the top. Under the aegis of the Madras Central Land Mortgage Bank you have now a well-knit, efficient and financially sound organization for this purpose, and you have gone ahead of the rest of India by enacting special legislation to regulate the working of the system. These facilities for credit for the relief of indebtedness have recently been supplemented in your Presidency by the amendment of the Agriculturists' Loans Act. The other method of approach to the problem has, however, not been tried in this Presidency. Presiding at a Conference for Relief of Rural Indebtedness held at Bezwada in May last, Mr. Ramadas Pantulu made a number of valuable suggestions bearing on this aspect of the treatment of the problem of debt, following, in the main, the recommendations in that behalf made by the Indian Central Banking Enquiry Committee. Some time earlier, a Special Officer was appointed by the Government of Madras to inquire into the question of agricultural indebtedness in the Presidency and a report of this inquiry appears to have been published recently. I have not had an opportunity of studying this report, but I am astounded to find it disclosing that since the Madras Provincial Banking Enquiry Committee framed five years

ago an estimate of the extent of agricultural indebtedness, the aggregate volume of debt has gone up by over 50 crores to the figure of Rs. 204 crores. The agricultural income, according to this Officer's report, is falling while the population is increasing, crowding on to the land more persons than it can possibly sustain. Mr. Sathianathan, the Special Officer, proposes the enactment of legislation, as in some other provinces, for the creation of debt conciliation boards; and these boards in collaboration with land mortgage banks may be helpful in providing some relief. The evil, however, has gone too deep to yield any simple solution like that proposed, and a vigorous nationwide campaign is necessary, I agree with the Special Officer in holding, to find out for the surplus population means of livelihood other than agriculture.

At the Provincial Economic Conference convened last year by the Government of India the conclusion was reached that of all the practical measures necessary for improving the economic condition of agriculturists an intensive programme of develop marketing facilities for agricultural products offered the best *immediate* prospects of successful results. While subscribing to this view whole-heartedly, I am not convinced that the steps taken by the Government of India to implement this decision are the proper ones. The principal among these steps was the appointment of a special all-India marketing officer and the selection for that post of a person who had a previously no acquaintance either with India or its agriculture or its marketing conditions. And this officer has had a large staff of marketing officers placed under him, so that for the time being the amount sanctioned by the Government of India for the development of marketing has all been consumed on the creation and maintenance of a new official hierarchy. The main duty of this staff is supposed to be the investigation of marketing practice and the study of marketing problems, as if ample material were not already available from the recommendations of the Royal Commission on Agriculture and of the Provincial and Central Banking Enquiry Committees and the volume of evidence submitted to them. Instead of proceeding to work on the basis of the considered recommendations of the Royal Commission and the Banking Enquiries, the Government of India have embarked upon costly surveys which will scarcely be helpful in providing *immediate* prospects of successful results. An ounce of practical action—such as that proposed by Mr. T. Adinarayana Chettiar in his Note on the Present Condition of Co-operative Marketing of Agricultural Produce in South India—is worth more than a ton of academic surveys that lead nowhere and are not followed up by action. With a little encouragement and help, co-operators can develop in most parts of the country—that, at any rate, is our experience in Bombay—co-operative sale organizations without waiting for any further surveys, provided facilities in the shape of warehouses, petty grants for meeting expenditure in the initial stages, and

some assistance in the work of preliminary propaganda are made available. Otherwise, in our search for a scientific system of marketing years may be wasted in surveys without any attempt being made to build up a marketing system on the only basis that will stand, namely, the organization of the producers co-operatively.

It has been a charge levelled against us, co-operators, that we have not interested ourselves sufficiently in problems of agricultural improvement. There is a substratum of truth in this criticism, in as much as we have treated the problem of improved agriculture as a technical one, to be handled by experts. I hesitate to rush in where angels fear to tread, especially as conditions differ widely from province to province; but there are certain activities which can and should be organized on a co-operative basis and to which we must divert our attention in the attempt to invigorate the work of our primary societies. The encouragement of cattle-breeding and the supply of premium bulls, the consolidation of holdings on a voluntary basis, the organization of the supply of approved varieties of seed through village credit or better farming societies or their unions or associations, the financing of a programme of minor works of land improvement with the aid of takavi loans or loans from land mortgage banks, the fencing and protection of crops on co-operative lines—these are all activities in which co-operators should interest themselves. A portion of the grant made by the Government of India could justifiably have been devoted to some of these objects, in as much as the Finance Member had observed in his Budget Speech that one of the main objects of the special assistance given was to increase the income of the agriculturists.

The Finance Member also referred to the need for subsidising schemes for giving employment to cultivators. It is a matter for regret that the programme drawn up by the Government of Madras appears to ignore this aspect of the work that lies before them. It is now over fifteen years since Mahatma Gandhi first directed the attention of the nation to the paramount need for utilising in a creative manner the spare time that the agriculturist has at his disposal and of finding remunerative work for the increasing numbers of the rural population who are, for a large part of the year, compulsorily unemployed. He placed before the country a programme for the development of the one industry, namely the manufacture of cloth, which until recent times was the universal cottage industry. In their report on "A Scheme for an Economic Census of India," Dr. Bowley and Prof. Robertson have also expressed the view that the pursuit of a spare-time occupation, such as hand-spinning, is not an economically unsound proposition, in as much as the remuneration that the part-time spinner earns has not to include the cost of maintenance, merely supplementing, as it does, his other means of

livelihood. Hitherto, Government have, however, continued to pour ridicule on the organization of the industry of hand-spinning and all the other processes connected with the production of cloth in villages, and it has been left to the All India Spinners' Association to revive this basic national industry of the country-side with the scanty resources it has at its disposal. If Government did not neglect this activity but actively encouraged it, co-operative societies in villages could do much to promote the local utilization of cotton in cotton-growing areas for the production of cloth locally. Then alone shall we be able to impart stability and strength to the weaving industry which Provincial Governments now propose to subsidise out of the grants received by them from the Government of India.

With some critics it was a matter for reproach against this movement for the revival of an ancient industry that it failed to envisage the problem of rural industries as a whole and sought a solution in the development of a single industry which might not be suited to rural conditions all over the country. After food and shelter, cloth is, however, the prime necessity of mankind, and, moreover, our country is eminently suited for growing cotton and manufacturing cloth as is clearly evident from the fame that India's textiles had acquired in the worlds' markets. Nevertheless, any comprehensive attempt to solve the problem of rural employment must embrace all the aspects of production, and appreciating the force of this contention, Mahatma Gandhi has now brought into being a new body, the All India Village Industries Association, whose task it is to promote the improvement of the moral and material condition of the rural population by encouraging the revival of the dead or dying industries of the country and by organizing public opinion to patronize the products of such industries. As co-operators, we are intensely interested in this new national activity, and we have a distinct contribution to make in promoting it in the sphere both of production and distribution. The services of co-operative societies in villages can be utilized, with much benefit to their members, in securing the local processing of agricultural commodities, in reviving old industries and in introducing new ones, while producers' organisations can be started for the specialized cottage industries. Similarly, consumers in towns and cities through their existing organizations or new ones to be started, can be induced to patronize hand-made goods and village products in preference to other articles, and thus we may assist in building up an ever-widening market for the industrial products of our villages which are being displaced by imported goods or goods turned out in India by large-scale capitalist organizations. The need for organized effort in these directions is amply borne out by the recommendations of the Special Officer appointed by the Government of Madras to inquire into the problem of indebtedness. One of his main recommendations, I find, is the

pursuit of an active and progressive policy of State aid to industries and the exploration of outlets for the absorption of articles made in India, particularly the products of cottage industries.

I shall now turn to another of the important matters discussed at the Provincial Economic Conference, namely, the creation of the Reserve Bank of India and the part it can play in improving credit facilities for agriculture and small industries. The Conference held that before the Reserve Bank of India undertook this task it was necessary for it to have at its disposal information about the present position of agricultural finance and of the co-operative movement in various provinces. Much of the information required was already available in the reports of the Banking Enquiry Committees, but in pursuance, presumably, of discussions at the Conference, Government appointed Mr. M. L. Darling on special duty to examine and report on the most suitable basis for the organization of the Agricultural Credit Department of the Reserve Bank of India and on the manner in which it could most effectively co-ordinate the work of co-operative banks and other local credit agencies so as to secure an improvement in the rural credit machinery of the country. It is over a year since Mr. Darling was appointed on special duty and went round various provinces, holding valuable consultations with co-operators and others interested in the question of agricultural finance. It is also nearly six months since the Reserve Bank of India was brought into existence and three months since it started its banking operations. It is curious, however, that the authorities of the Reserve Bank have not yet deemed it necessary to establish contact with provincial co-operative banks, and that no information has so far been vouchsafed to the public or to these banks about the organization of the Agricultural Credit Department of the Reserve Bank. Nor have Government taken the provincial co-operative banks into confidence with regard to the contents of Mr. Darling's report and the nature of his recommendations. Provincial co-operative banks constitute an important arm of the co-operative movement in every province and they have an all-India organization to represent and promote their common interests. Even if this Association and its constituent units were ignored in making nominations to the Central Board of the Reserve Bank of India, these banks and the All India Institutes Association may well claim that they should be consulted before any decisions are taken regarding the reorganization or improvement of the credit side of the movement and also that no changes in policy should be ordered by Government through the Co-operative Departments without giving an opportunity in the provinces to co-operators to express their opinions on the proposed changes.

It is obvious that some changes are necessary in the present system and methods of working in various provinces, not only from the point of



view of the development of the relations of the movement with the Reserve Bank of India, but also with the object of making the rural credit movement more helpful to the cultivators in the present depressed condition of the agricultural industry. Each province is trying to introduce improvements, to impart elasticity and to embark on developments best suited to its peculiar conditions. The experience of one province is not necessarily applicable to another and if I rapidly survey what we have attempted in Bombay, I do so not with the aim of suggesting any ready-made solutions but only with the intention that fresh points of view may be of help to both the provinces. In Bombay, the first step that we have taken in the process of rehabilitation is to give to members of co-operative societies an assurance of fresh finance against repayments, howsoever small these may be. Care is taken to see that the repayments are in accordance with the outturn of crops in a particular locality, but even otherwise the assurance of fresh finance leads to a resumption of business relations very essential for the revival of working. Members are expected to make repayments from their gross produce and then get their current demands met by resort to fresh finance. An attempt is made to reduce the old outstanding liabilities, but even though no such reduction can be secured for every individual member, the liabilities of societies to outside creditors are gradually brought down. The demand from members is fixed at the beginning of the harvest season on the basis of the state of the crops and of the load of existing debt; and if this demand is generally satisfied the outstandings of members to their societies and of societies to their central financing agencies are treated as authorised arrears until the subsequent season. The value of personal security as the basis of co-operative credit is emphasised, but where loans are allowed to members in excess of the ordinary limit prescribed in the bye-laws or where alienations are common owing to local agrarian conditions, or where no attempt is made to reduce the burden of debt appreciably, the collateral security of mortgage of land is demanded. And to make the personal security effective registers have been introduced in societies showing the liabilities of members as principal borrowers and as sureties and the changes in the values of their assets in land from year to year. The central financing agencies have almost all reduced their rates of interest on loans and a scheme has been introduced empowering societies to reduce the rates of interest charged to members. This is permitted where due and overdue interest is recovered from all members, a minimum fixed proportion of the principal is recovered by the societies as a whole, and all liabilities to creditors by way of interest and all the expenses of management can be met out of the income earned during the year. If these three conditions are fulfilled, the societies are allowed to forego the additional margin provided for building up the reserve fund

and they can then reduce their lending rate. In some areas, the reductions effected have been very substantial, and the central financing agencies have co-operated in making this experiment successful by sanctioning a special rebate to societies which come under the scheme. In addition to a general reduction in the rates of interest charged in most areas, the system of charging penal interest has been abandoned; and where the burden of the existing liabilities is very onerous reductions are allowed even in the accumulated simple interest that is to be recovered. These measures have afforded a gleam of hope to members of societies and the response to the new policy has so far been very satisfactory.

The other prominent plank in our programme of reorganization is the adoption of means to secure an improvement in the machinery for supervision and an extension of the facilities for co-operative education. A Reorganization Committee appointed by the Government of Bombay, some three years back, to explore the avenues for retrenchment recommended the scrapping of the system of supervising unions which was introduced in Bombay only ten years ago. There was a united protest against the proposal, and to meet the criticism levelled against the system of unions a Committee was appointed to examine the question. This latter committee unanimously favoured the continuance of the system, but suggested certain modifications in its working. The most important of these suggestions were the formation of boards in all districts to guide the unions and to control the supervisors and the provision of adequate funds, with the help of financing agencies to secure the appointment of qualified, trained supervisors. I am aware that there is a school of thought in Madras Presidency which believes emphatically that this agency of local unions has outlived its utility. The main distinction between the position in the two provinces, to my mind, is the fact that in Madras until recently it was the generally accepted view that central banks should not have their own inspecting staff and should utilize the agency of unions for the assessment of the credit of affiliated societies and the recovery of loans. In Bombay, the central financing agencies were called upon to shoulder the responsibility for the performance of these functions at a very early stage in their career, and the supervising unions do not displace this agency. To a certain extent, they supplement the work of the inspecting staff of banks and the auditing staff of the Co-operative Department, but in addition they have to supply the mutual control that, owing to the weak personnel available in individual villages, is lacking in our agricultural primary credit societies and to provide an agency, in the person of the supervisor, for the day to day training and education of the members of co-operative societies in the principles and practice of co-operation. Unless we have such local mutual control and can provide some training in the principles of co-operation and guidance in its practice the whole of our structure will subsist on very shaky foundations; and I plead for the retention of the system of supervising unions mainly because I hold that it supplies, in our existing conditions, the only conceivable agency that can be entrusted with the performance of this important twofold service.

That leads me to my last point, that what we require to make the movement a success even in the present troubled times is, first, men inspired by high ideals and, next, an adherence to those ideals. As a

writer on co-operation puts it, "whether the movement can lead a stubborn world decisively along this co-operative road, probably will depend more and more, not only on its numbers but also on its power to enlist intelligence, and develop in all its ranks a leadership capable both of creating enthusiasm and producing every day conviction among the masses of mankind." In India, the co-operative movement may have had its origin in the limited desire to provide a credit system for the cultivator—simple, elastic, self-controlled, and free from the element of profiteering inherent in any individualistic economic organization. But it has gradually come to stand for aims extending beyond the provision of credit, and while attempting to embrace all the aspects of the economic life of the peasant—as well as the petty artisan—it also seeks to promote among the peasantry a higher outlook on life, on citizenship, and on fellowship with their neighbours. If we have failed so far to impart to the masses of our members a passion for our gospel of "better farming" "better business" or "better living", may it not be due to the fact that we have no clear conception ourselves of the social order for which we are striving? As the Irish mystic co-operator, "A.E.," wrote fifteen years ago, without an imaginative conception of what kind of civilization we wish to create, the best government, either national or foreign, will never avail to lift us beyond national mediocrity. In a world rent into divisions by the conflict of diverse creeds, we have no desire to introduce an additional element of discord, but as co-operators we must declare once for all that we stand for an equalitarian state of society "free from meaningless privilege and capricious divisions based on the possession of wealth." We must so plan the lines of our economic structure that "authority is associated not with property, but with function, and that such authority rests on conscious consent, not on the power of wealth." We must stand for a society which, in the words of Tawney, "so distributes its resources that an ever larger proportion of the surplus, which, thanks to science and invention, modern industry yields is employed not for private gratification but for the common advantage." Let us take our stand on this great idea and we may soon find that the world will come round to us.

\* \* \*

The Conference then adjourned for the day to enable the delegates to meet in Subjects Committee and decide the resolutions to be placed before the open Conference next day at noon.

The Subjects Committee met soon after and finished its business in one sitting.

A short co-operative drama in Tamil was staged later in the night by a group of amateurs who came here specially for the occasion from Tanjore, led by Mr. O. A. Narayanaswami Iyer, B.A., B.L., Secretary of the Hood Co-operative Institute, Tanjore, and the author of the play. The actors acquitted themselves exceedingly well and provided as much amusement as instruction.

The boarding and lodging arrangements were made as in previous years in the P. S. High School itself with the kind co-operation of its authorities.

In connection with the Conference an exhibition was arranged in which the Agricultural and Industries Departments of the Government of Madras, the Triplicane Urban Co-operative Society, the Kerala Soap Factory and A. I. Solomon & Sons, Slide-makers, participated.

*On the 29th September, the Conference began at 12 noon, when the discussion of the resolutions approved by the Subjects Committee was taken up.*

### **Rural Credit and Reserve Bank.**

1. The following resolution was put from the Chair and carried unanimously :—

“ This Conference urges on the Government of India and the authorities of the Reserve Bank of India to consult the Indian Provincial Co-operative Banks’ Association and the Provincial Co-operative Banks before formulating the scheme for the establishment of the Rural Credit Section of the Reserve Bank of India and requests the Government to make Mr. Darling’s report on the subject available to them.”

### **Co-operative Education Grant.**

2. The following resolution was also put from the Chair :—

“ This Conference regrets that the Government of India, in making a grant for the promotion of Co-operative Education, did not provide for the Local Governments consulting the Provincial Co-operative Institutes in regard to the schemes and urges on the Provincial Government of Madras to frame their scheme of Co-operative Education in consultation with the Madras Provincial Co-operative Union.”

Dewan Bahadur K. Deivasikhamani Mudaliar, Joint Registrar of Co-operative Societies, made a statement that in Madras the Co-operative Department was consulting the Madras Provincial Co-operative Union in the matter of Co-operative Education and that the training classes were being conducted by the Department and the Union jointly. Dewan Bahadur T. A. Ramalingam Chettiar observed that while in the matter of training classes what the Joint Registrar had stated was perfectly true, the Madras Provincial Co-operative Union had not been consulted formally or even informally regarding the expenditure of the special grant received from the Government of India for Co-operative Education and that they had not been asked to help in the framing of the scheme for the expenditure of that grant.

The resolution was carried unanimously.

### **Loans by Central Mortgage Banks.**

3. Mr. N. Satyanarayana of Alamuru next moved the following resolution :—

“ This Conference resolves that the Madras Co-operative Central Land Mortgage Bank should make arrangements to relieve rural indebtedness by,

- (i) reducing the rate of interest to 5 per cent to the ultimate borrowers ;
- (ii) extending the period of repayment from 20 to 40 years ;
- (iii) making speedy arrangements for investigation and sanction of the loans ; and
- (iv) increasing the maximum borrowing power from Rs. 5,000 to Rs. 10,000."

In doing so he said that it was not an impracticable proposal ; that the income from agricultural investments was now only from 2 to 5 per cent. and that the present rate of interest was too high and the present period too short. Mr. V. Viyanna Pantulu seconded the resolution in a Telugu speech and Mr. Achar Raghavachariar of Conjeevaram supported it in Tamil. Mr. Kala Venkata Rao of Amalapuram proposed an amendment to substitute '60' years for '40' years in clause (ii). After some discussion in which Messrs. V. Ramamurty Pantulu, K. G. Sivaswamy and P. Vasudeva Menon participated, the amendment was withdrawn and the original resolution was passed.

### The Agricultural Loans Act.

4. Rao Bahadur T.M. Narayanaswami Pillai, President of the Trichinopoly District Co-operative Central Bank, moved the following resolution : —

"This Conference while welcoming the proposals of the Government to finance the agriculturists under the amended provisions of the Agricultural Loans Act, for the liquidation of prior debt and to help debt conciliation schemes, urges upon the Government not to charge more than 5 per cent on the loans, that the period of such loans be extended up to 40 years and that the maximum of the loan be fixed at least at Rs. 3,000."

He said that this resolution, if given effect to, would help the agriculturists very much. The loans given to them by Government should not be smaller than those given by Marwadies, if they should be redeemed from their indebtedness to the Marwadies.

Mr. K. V. Raghavachariar of Nellore in seconding the resolution observed that it was the duty of co-operators to see that the offer of help made by Government was properly taken advantage of by the ryots. Mr. K.L. Narasimha Rao opposed the resolution on the ground that the working of the Agricultural Loans Act was the concern of the Government and that the assistance of co-operators had not been sought. Mr. V. Ramadas Pantulu observed that the indebtedness of the agriculturist was so vast and the extent to which the land mortgage banks could give long term loans to them was so limited that they should welcome the scheme of the Government to spend one crore for the relief of the agriculturists.

As for the agency for the distribution and collection of loans, he thought that co-operative societies and their panchayats were at present not in a position to undertake the task and that it should be left to the Government agency. Messrs. Chengalroya Iyer of Krishnagiri, T. V. S. Prakasa Rao of Narasapur, T. Fakruddin Saheb of Kadiri and E. S. Sunda of Madura spoke further on the resolution. Mr. S. Nagaswami Iyer of Sivaganga proposed an amendment to add the words 'and that the Act be worked in consultation with co-operative societies'; but on Mr. Ramadas Pautulu pointing out that the amendment would lead to difficulties regarding the rate of interest, collection, supervision etc., he withdrew it. After Rao Saheb V. I. Muniswami Pillai, M.L.C., of Ootacamund had furthered supported the resolution and Mr. T. M. Narayanaswami Pillai replied to the debate, the resolution was passed by a large majority.

### **A Trustee Bank.**

5. Dr. B. Pattabhi Sitaramayya of Masulipatam moved the next resolution which ran as follows:—

"This Conference resolves that steps be taken to organise a Trustee Bank either independently or as a branch of the Madras Provincial Co-operative Bank or the Madras Co-operative Central Land Mortgage Bank, in order to help in the relief of rural indebtedness."

Speaking in Telugu he related his own experience how by becoming a Trustee for a friend he was able, by offering immediate payment, to compound debts amounting to Rs. 12,000 for Rs. 10,000. A great many were in need of similar surveys and a Trustee Bank was therefore badly needed.

Mr. K. V. Raghavachariar of Nellore seconded the proposition in a Tamil speech, while Mr. T. Adinarayana Chettiar supported it in English. Mr. V. Viyantha Pantulu opposed the resolution saying that it was an impracticable proposal and nobody would come forward to shoulder the responsibilities of discharging the debts of others. Mr. Nagaswami Iyer was of opinion that the proposal was vague and not even a skeleton of the scheme was put before them. The President observed that a complete scheme had been outlined in an article written by Dr. Pattabhi Sitaramayya in the latest issue of 'The Indian Co-operative Review'. Mr. V. Ramadas Pantulu said that if the proposition was adopted it would be the duty of the Executive Committee of the Provincial Co-operative Union to take up the question and work out the details.

The resolution was then put to vote and carried by a large majority.

### **Reduction in Interest.**

6. Mr. N. Satyanarayana moved:

"This Conference urges on the Provincial Co-operative Bank to reduce its lending rate to central banks to four per cent, on the central

banks to reduce their lending rate to primary societies and loan and sale societies to 5 per cent and on the primary societies to reduce their lending rate to members to six per cent.

"This Conference resolves that the reduction of the lending rate as stated above, should be both on outstanding loans and future loans."

Mr. Satyanarayana stated that they had been urging the reduction for the last so many years and he believed that the time had come for such reduction.

Mr. K. Satyanarayana-murthi seconded the resolution. Mr. V. Ramamurthi said that it would be greatly beneficial to the ryots if the rate of interest was reduced. Mr. V. Ramadas Pantulu stated that there would be no difficulty to carry out the resolution.

Dewan Bahadur K. Deivasikhamani Mudaliar, Joint Registrar of Co-operative Societies, said that from a study of the finances of the central banks he could say that they need not be afraid to reduce their rate and he had in his tours always urged on them to do so. The Provincial Bank was willing to reduce the rate and the primary societies could also do this, provided the central banks reduced their rates. The Department would always be willing to help the societies in the matter of amending by-laws and registration. The speaker also observed that there would be no difficulty in applying the rule to outstanding loans also and extending the period of repayment.

The resolution was then carried unanimously.

### Extension of Time for Repayment.

7. Mr. Kala Venkata Rao of Amalapuram moved :

"This Conference is of opinion that extension of time for the repayment of loans be given to members of societies who give proper security as cover, for periods extending up to ten years; and to facilitate the clearance of the outside debt of such member by the co-operative society in all deserving cases, the Registrar be requested to register liberally amendment to bye-law No. 42 of a society, so as to increase the individual borrowing capacity to the level of a member's debt."

The resolution was seconded by Mr. N. Satyanarayana. Rao Sahib M. S. Seshachalam Iyer of Tiruvannamalai opposed the resolution, saying that it would be demoralising to give an extension to existing loans, though he had no objection to fresh loans being given for 10 year periods. Mr. V.C. Rangaswami, Secretary, Madras Provincial Co-operative Bank, supported the resolution trusting that it would bring about a co-ordination, which is lacking at present, between borrowing and repaying capacity. Mr. E. S. Sunda opposed the resolution. Mr. C. S. Ranganatha Iyengar proposed an amendment to drop the second

part of the resolution beginning with 'and to facilitate'. He was supported by Messrs. N. Ramaswami Iyer and A. Ramachandram Pillai of Madura-Ramnad Bank. Dewan Bahadur Sir M. Ramachandra Rao, President of the Central Land Mortgage Bank, and Messrs. V. Ramamurthy Pantulu, K. G. Sivaswami Iyer and V. Ramadas Pantulu spoke in favour of the resolution. The amendment was lost and the resolution was passed by a large majority.

### **Directors in Land Mortgage.**

8. Mr. V. Ramamurthy Pantulu proposed and Mr. N. Satyanarayana seconded the following resolution :

"This Conference is of opinion that the appointment of directors by nomination in Primary Land Mortgage Banks, as suggested in the model by-laws circulated, is opposed to the spirit and democratic character of the movement and requests the Department and the Government to delete the provision relating thereto."

The Conference accepted the resolution without much discussion.

### **Warehouses and Godowns.**

9. "This Conference requests the Provincial Co-operative Union and the Registrar of Co-operative Societies to prepare a scheme for the starting of Purchase and Sale Societies together with warehouses at least one for each taluk, and the Government are requested to finance the construction of godowns out of the Village Development Fund."

Mr. K. V. Ragavachariar in moving the above resolution hoped that a portion of the crore of rupees which the Government was going to spend on village improvement would be spent in building warehouses. Large consumers' societies like the Triplicane Urban Co-operative Society could also do a great deal in this direction. Mr. Gangadhara Sastry of Hindupur seconded the resolution and Mr. Siddanna Gowd of Madakasira supported it. Prof. S. K. Vagunanarayana Aiyar said that the Triplicane Urban Co-operative Society did get its supplies of rice for some time from the Nellore Paddy Sale Society but it was found difficult in practice to adjust the difference in outlook between the producers' society and the consumers' society, and therefore the Triplicane Urban Co-operative Society made its own arrangements for buying paddy from the area of production. After some discussion the resolution was passed.

### **Crop Loans.**

10. Mr. K. L. Narasimha Rao moved the following resolution :—

"This Conference recommends that crop loans be advanced through co-operative primary societies or other suitable special types of



societies wherever the Agricultural Department is willing to co-operate with technical advice and recommendations, and that the produce from such crops be sold through co-operative agencies."

Mr. G. Sriram Babu Naidu seconded the resolution and Rao Saheb M. S. Seshachalam Iyer supported it. Mr. Unni Krishna Menon, Deputy Director of Agriculture, was invited by the President to speak on this resolution.

The resolution was passed unanimously.

### **Audit Fees.**

11. Mr. B. A. Padmanabha Iyer moved the following resolution :—

"This Conference resolves to request the Government to reduce the audit fees now levied on co-operative credit societies at least by fifty per cent."

Rao Saheb M. S. Seshachalam Iyer seconded the same. The resolution was passed without much discussion.

### **Temples and Stores.**

12. Mr. R. M. Doraiswami Pillai of Rameswaram moved and Mr. E. S. Sunda seconded the following resolution :—

"This Conference requests the Trustees of temples governed by the Hindu Religious Endowments Board and the authorities in charge of hospitals and educational institutions to make purchases in co-operative stores in order to encourage the co-operative movement."

It was carried unanimously.

### **President's Concluding Speech.**

The President, in bringing the proceedings to a close, thanked the delegates for having assisted him in successfully conducting the proceedings of the Conference and stated that he did not wish to dilate at length on the important resolutions adopted by the Conference. Most of them, quite naturally, dealt with the problem of removing the indebtedness of the agriculturists. The number of persons who had joined the co-operative movement was small compared with the number of persons who still resorted to sowcars for financial help. The members working in this movement should avail themselves of every opportunity to relieve the indebtedness of those people. The time had come when co-operators should have renewed faith in the movement and each co-operator should do his duty. They had a wealth of talents and many devoted workers, and he wished them every success in their work.

### **Vote of Thanks.**

Mr. Ramadas Pantulu proposed a hearty vote of thanks to the President for having so kindly accepted the invitation and for having given them good guidance during the Conference. He also tendered thanks on behalf of the Conference to the authorities of the P. S. High School, to the Agricultural and Industries Departments and others for having taken part in the exhibition at the request of the Madras Provincial Co-operative Union and to the volunteers who had helped in the arrangements. The vote of thanks was carried with acclamation.

The Conference then came to an end.

## Appendix (A).

### GREETINGS.

- The Divisional Co-operative Federation Board, Bhagalpur.  
Bihar & Orissa Provincial Co-operative Bank, Bankipur, Patna.  
The Indore Premier Co-operative Bank, Bhikangaon Branch, Bhikangaon.  
Bengal Co-operative Insurance Society, Calcutta.  
Central Co-operative Bank, Trivandrum.  
The Central Provinces & Berar Provincial Co-operative Bank, Nagpur.  
Cochin Central Co-operative Institute, Trichur.  
Mysore Co-operative Institute, Bangalore City.  
The Hyderabad Co-operative Dominion Bank, Hyderabad (Dn.)  
The Bengal Co-operative Organisation Society, Calcutta.  
United Provinces Co-operative Union, Lucknow.  
Bihar & Orissa Co-operative Federation, Patna.  
The Cochin Central Co-operative Bank, Trichur.\*  
Shri Sayaji Sahakar Sewak Sangh, Baroda.  
Bengal Provincial Co-operative Bank, Calcutta.  
The Bombay Provincial Co-operative Bank.  
International Co-operative Alliance, Brussels.  
Federation Nationale des Co-operatives de Consommation, Paris.  
Director of Co-operation, F. M. S., & S. S., Kuala Lumpur.  
The Registrar of Co-operative Societies, Coorg, Mercara.  
Registrar of Co-operative Societies, Cochin State.  
Director of Agriculture, Madras.  
Registrar of Co-operative Societies, Punjab, N. W. F. Province and Delhi.  
The Registrar of Co-operative Societies, Assam.  
" " Ajmer-Merwara.  
" " Burma.  
" " Mysore.  
" " Central Provinces and Berar.  
" " United Provinces.  
" " Ceylon.

### MESSAGES.

*International Co-operative Alliance, London.*

"We follow as closely as possible the progress of Co-operation in Madras, as in the other Provinces of India. It was a very great pleasure to have your President, Mr. V. Ramadas Pantulu, at the Congress of the

Alliance in London last year, where he represented the All-India Co-operative Institutes' Association. The personal relations which he was able to make have brought the Co-operative Movement in India into much closer contact with the International Co-operative Alliance, and we are sure that his collaboration in the work of the Central Committee, of which he is now a member, will be of great benefit both to the International Organisation and to the Movement in India.

The International Co-operative Alliance is at present faced with many difficulties arising from the changing economic order, but we are convinced that, whatever form the new economic order may take, the voluntary associations of co-operators can and must find their place in its framework and, at the same time, preserve intact the economic and constitutional basis of Co-operation as set out in the Principles of Rochdale."

*International Co-operative Women's Guild, London.*

"One day, perhaps an official of the International Guild may be able to visit India and see something of the many interesting developments of the Indian Co-operative Movement, but at present so long a journey is quite beyond the financial resources of this organisation.

We send you, however, our most cordial good wishes for successful and inspiring meetings that may be the prelude to a year full of progress and development for the Movement in Madras, and would ask you also to convey our greetings to all those of our Indian sisters who are striving to organise women's co-operative activities, of whatever form these may be. We wish them all success and look forward to the day when a national Indian women's organisation will be presented on our Committee."

*The Co-operative Union, Ltd., Holyoake House, Manchester. 4.*

"The Movement in this country continues to progress and the most recent figures as to British capital and trade are most encouraging. With the passing of the world depression and increasing prices the figure of co-operative trade is going up so that now we are in the position of enjoying as we have done through the depression an increase in commodity turnover as well as an increase in the cash value of the goods handled. Just now we are at the beginning of a Ten Year Plan of Co-operative Development which will culminate in the Centenary year of the Rochdale Pioneers. It is felt that a stronger and more complete Co-operative Movement is the best memorial which the present generation of co-operators could erect to the Pioneers of Rochdale and it is expected that the Ten Year Plan will give a strong stimulus to Co-operative activity in this country.

## APPENDIX (A)

Whilst we are laying down plan of our own future development we hope that the Movement in other parts of the world will continue to prosper for the benefit of the working men and women which the Movement is primarily designed to help. In this hope I greet your Conference and wish every possible success to your proceedings."

### *Co-operative Wholesale Society, Ltd., Manchester.*

"As fellow-subjects of two great Commonwealths the British Commonwealth of Nations and the even more wide-spread and ever-growing Commonwealth of Co-operators—it is with the greatest pleasure that we send you on behalf of the English Co-operative Wholesale Society, Limited and six million English Co-operators, our most cordial greetings and good wishes for the success of your deliberations, and the continued progress of Co-operation in India.

We hope that in the days ahead the Co-operative Movement, which has developed so successfully in your province, will become in all India as extensive and as powerful as it is to-day in England.

We rejoice at your continued progress and are happy to be able to report that our Society is progressing satisfactorily. Our Sales have almost reached £ 100,000,000, a fact which we think will assure you of the solidarity of the Movement here in the Mother Country."

### *All-India Co-operative Institutes' Association, Lahore.*

"The Co-operative Movement in the Madras Presidency has achieved considerable success in some directions, which is not found in any other Province in India. The Triplicane Co-operative Stores has no parallel in this country and it offers a lie direct to the assertion often made in authoritative quarters, which should know better, that the store movement cannot prosper in India.

The Madras Central Co-operative Land Mortgage Bank, with the Primary Mortgage Societies, suggest a way for the solution of the difficult problem of providing long term credit to the agriculturists. Madras has set an example in this matter and it is for the other Provinces and States to follow its footsteps.

The South India Co-operative Insurance Society has made very rapid progress and is now easily the most advanced Co-operative Insurance Society in this country.

Last but not the least, Madras has been very fortunate in having non-official co-operators who would do credit to any province and country. They have played very important part in making the movement successful.

I think the Co-operative Movement in Madras should now extend its activities in three directions.

The one great drawback of the Co-operative Movement in Madras as in any other province, is that it has confined its activities to men alone and has so far practically ignored the fair sex. But no movement for the uplift of the masses can be successful unless women take an active part in it. The time has now arrived when women should be brought under the co-operative fold. That this can be achieved is shown by the attempt recently made in some Provinces and States.

Madras should now seriously try to start Co-operative Societies among women, because co-operation cannot win a final victory without women.

Another direction for extending the activities of the Co-operative Movement is the establishment of Co-operative Marketing Societies.

The Royal Commission on Agriculture in its report suggested the organisation of co-operative sale societies as the best method calculated to help. 'These societies,' it said, will educate the cultivator in the production and preparation of his produce for the market, will provide a sufficient value of produce to make efficient grading possible, and will bring the Indian producer into direct touch with the export market and with the large consumers in this contry, such as cotton and jute mills."

Madras has number of sale societies, but as far as I have been able to ascertain, they have not made much progress. The time is now opportune for encouraging the formation of co-operative marketing societies.

The third line of advance is the organisation of the better living societies.

These societies aim at the reformation of bad customs prevalent amongst the members, the improvement of the physical, moral and spiritual condition of the members and the teaching of the rules of hygiene. A good deal of work has already been done in Madras on these lines. The necessity now is to extend this work as far as possible.

If I am allowed, before I close, I would like to utter a word of caution. Of late the co-operative societies in India in general and in Madras in particular have developed a tendency to meddle in local factions and politics. Those who are familiar with the working of co-operative institutes in many parts of the country know well the grave danger which besets such institutions when they are dragged into the whirlpool of local factions and politics or when local factions and politics cause a cleavage inside them. No one would suggest that co-operators in their private capacity are not to join political activities, but it is of vital importance for the health of the movement that co-operative institutions should not be dragged at the heels of political parties."

*The Registrar of Co-operative Societies, Bengal and Calcutta.*

"The Registrar of Co-operative Societies, Bengal, has great pleasure in sending his warmest greetings to the co-operators of Madras on the

## APPENDIX (A)

occasion of their Twenty-first session of the Madras Provincial Co-operative Conference. No country is more in need than India of light to dispel the gloom which envelops the whole world to-day and no light is steadier and brighter than that of co-operation. The co-operators of Madras have given ample proof their steadfast faith in the abiding principles of co-operation. May their deliberations on this occasion be helpful to co-operators of other Provinces. God be with them in their noble pursuit."

### *Provincial Co-operative Institute, Bombay.*

"The prevailing economic depression which has thrown a severe strain on the rural population of our country, the events of the last year such as the Government of India's grants to the provinces for rural reconstruction and co-operative development, the creation of the Rural Credit Department of the Reserve Bank of India and the starting of the All India Village Industries Association have saddled co-operators with additional responsibilities. No one is better qualified to give guidance on these questions than Mr. Mehta who by his long association with the Bombay Provincial Co-operative Bank, the Bombay Provincial Co-operative Institute and with the co-operative movement in general, will authoritatively represent non-official co-operative opinion in this Presidency and I have no doubt, under his able presidentship, the Conference will prove a great success."

*Y A. Godbole Esq., I.C.S., Registrar of Co-operative Societies,  
Bihar and Orissa.*

"In the midst of an all pervading gloom that has overcome the movement in various Indian provinces, many a co-operator has taken heart from the success achieved by Madras and applied himself to the task before him with renewed hope. The robust faith underlying all their activities and the confidence born of achievement, which marked the utterances of the delegates from Madras who attended the joint meeting of the Standing Committee of the Bihar and Orissa Provincial Co-operative Banks' Association and the All India Co-operative Institutes' Association recently held at Patna, was an inspiration to brother-delegates from Bihar and Orissa and the advice given by veterans like Mr. Ramadas Pantulu will certainly prove invaluable to this province in finding a solution of the formidable difficulties confronting it. It is confidently hoped that the celebrations that will take place at the XXI Madras Provincial Co-operative Conference under the able guidance of Mr. V. L. Mehta will give lead, not only to Bihar and Orissa but to other provinces also on all pressing problems like (1) ways and means of revivifying credit co-operation (2) agency for providing co-operative training and education; (3) provision of long term credit and redemption of the old debts of agriculturists; and (4) extension of Rural Reconstruction."

*Diwan Bahadur S. Aravamutha Aiyangar, M.B.E., Advocate, and  
President, Hyderabad Co-operative Dominion Bank.*

"You have as your President a worthy son of a worthy father in Mr. Vaikunt L. Mehta who has done yeomen service to the cause of Co-operation in the Bombay Presidency. I wish the conference every success under his able and experienced guidance."

## Appendix (B).

### LIST OF DELEGATES TO THE CONFERENCE.

#### I. PROVINCIAL SOCIETIES.

Names of the Institutions.	Names of Delegates.
1. The Madras Provincial Co-op. Bank, Mylapore, Madras.	1. Mr. K. V. Raghavachari, B.A., B.L.
	2. „ R. Venkoba Rao.
	3. „ T. Audinarayana Chettiar.
	4. Rao Bahadur R. V. Ramasundaram Pillai Avl.
	5. Rao Saheb K. M. Singaravelu Mudaliar Avl.
2. The Madras Co-op. Central Land Mortgage Bank, Madras.	6. Sir M. Ramachandra Rao, Kt.
	7. Rao Bahadur C. Gopala Menon.
	8. Diwan Bahadur T. Raghaviah Pantulu Garu, c.s.j.
	9. Diwan Bahadur A. Appadurai Pillai Avl., i.s.o.
3. The South India Co-op. Insurance Society, Madras.	10. Mr. P. S. G. Ganga Naidu Avl.
	11. „ R. B. Shah.
	12. Rao Bahadur C. Gopala Menon.
4. The Triplicane Urban Co-op. Society, Madras.	13. Mr. V. Viyanna.
	14. „ K. C. Ramakrishnan.
	15. „ S. Desikachariar.
	16. „ T. Balasundara Mudaliar.
	17. „ R. V. Subramania Iyer.
	18. „ P. N. Martandam Pillai.

#### II. LANGUAGE FEDERATION.

The Tamil Nad Co-op. Federation, Coimbatore.	19. Mr. K. G. Sivaswami Iyer.
	20. „ Narasimha Reddiar.
	21. „ M. V. Meenakshisundara Mudaliar.
	22. „ D. Kuppurama Mudaliar.
	23. „ K. S. Rajagopala Mudaliar.
	24. „ K. Rangayya Gounder.

#### III. FEDERATIONS.

1. Chingleput District Co-op. Federation, Conjeevaram.	25. Mr. K. Venugopala Mudaliar.
2. The Madura Ramnad District Co-op. Federation, Madura.	26. „ M. Balasundara Mudaliar.
	27. „ Janab A. P. Mohamad Sultan.

#### IV. TRAINING INSTITUTES.

1. Hood Co-op. Institute, Tanjore.	28. Mr. O. A. Narayanaswami Iyer.
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# APPENDIX (B).

## V. CENTRAL BANKS.

Names of the Institutions.	Names of Delegates.
1. Anantapur District Co-op. Central Bank.	29. Mr. Y. Hanumantha Rao.
2. The Co-op. Central Bank, Vellore.	30. Rao Bahadur V. A. Arunachala Mudaliar.
	31. Rai Bahadur V. Murugesu Mudr.
	32. Rao Saheb K. M. Singaravelu Mudaliar.
3. The South Arcot District Co-operative Central Bank, Cuddalore.	33. Mr. R. A. Sivananda Mudaliar.
	34. „ C.V. Srinivasachari, B.A., B.L.
	35. „ M. G. Parthasarathy Mudr.
4. Co-op. Central Bank, Conjeevaram.	36. Rao Bahadur C. Sambasiva Chettiar.
	37. Mr. K. R. Viswanatha Ayyar.
	38. „ K. Rangaswamy Ayyangar.
5. The Chittoor District Co-op. Central Bank, Chittoor.	39. „ C. P. Sarathi Mudaliar.
	40. „ M. Singarachariar.
	41. „ N. Narayana Reddi.
6. The Coimbatore District Urban Bank, Coimbatore.	42. „ S. K. Krishnaswami.
	43. „ S. K. Ramaswami Mudaliar.
	44. „ S. Thirunavukkarasu Mudr.
7. Cuddapah District Co-op. Central Bank, Cuddappah.	45. „ V. Pichaiya.
	46. „ R. Venkataramiah.
8. Ganjam District Co-operative Banking Union, Berhampur.	47. „ N. Ramakrishna Rao Pantulu.
	„ P. Somasundara Rao.
	49. „ G. Dharma Rao.
9. District Co-op. Central Bank, Cocanada.	50. „ S. Satyanarayana Raju.
	51. „ K. Chalapati Rao.
10. Sree Koonaseema Co-op. Central Bank, Amalapuram.	52. „ N. Achutaramachandramurthy.
	53. „ Kala Venkatarao.
	54. „ N. Venkataratnam.
11. Rajahmundry Co-op. Central Bank, Rajahmundry.	55. „ P. Suryaprakasa Rao.
	56. „ M. Sivaramakrishnaiah.
12. Ramachandrapuram Co-op. Central Bank, Ramachandrapuram.	57. „ N. Surya Rao.
	58. „ B. V. Krishna Rao.
	59. „ M. Sitaramiah.
13. The West Godavari District Co-op. Central Bank, Ellore.	60. „ D. Narayanaraju.
	61. „ T. Veeranna.
	62. „ K. K. Suryanarayana.
	63. „ K. Sreeramulu.
14. The Guntur Dt. Co-op. Central Bank, Tenali.	64. „ V. Lakshminarayana.
	65. „ R. Surayya Choudary.
15. South Kanara Dt. Co-op. Central Bank, Mangalore.	66. „ Ullai Mangesh Rao.
16. The Krishna Co-op. Bank, Masulipatam.	67. „ K. Venkata Ramanayya Naidu.
	68. „ K. Lakshmayya Naidu.



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Names of the Institutions.	Names of Delegates.
17. Viziavada Co-op. Bank, Bez-wada.	69. Mr. P. Venkata Subbayya.
18. Kurnool Dt. Co-op. Central Bank, Kurnool.	70. „ R. Rama Rao.
	71. „ G. Nagi Reddi.
	72. „ V. B. Chench Reddi.
19. The Madras Dt. Co-op. Central Bank, Ltd., Madras.	73. „ S. S. Sankara Mudaliar.
	74. „ M. S. Sabhesa Iyer.
	75. „ V. Krishna Mohan.
20. Madura-Ramnad Dt. Co-op. Central Bank, Madura.	76. „ E. S. Sunda.
	77. „ N. Ramaswami Iyer.
	78. „ A. Ramachandram Pillai.
21. Malabar District Co-op. Central Bank, Chalapuram.	79. „ P. Vasu Menon.
22. Nellore Dt. Co-op. Banking Union, Nellore.	80. „ B. Dasaratharama Reddi.
	81. „ V. Kodandarama Reddi.
	82. „ K. Sundararama Reddi.
23. Srivilliputtur Co-op. Banking Union, Srivilliputtur.	83. „ G. Alagiriswami Naidu.
	84. „ P. S. Chinnu Venkata Raja.
	85. „ R. Krishnaswami Naidu.
24. Salem District Urban Bank, Salem.	86. „ T. Audinarayana Chettiar.
	87. „ S. Krishnaswamy Iyer.
	88. „ S. C. Venkatappa Chettiar.
25. Kumbakonam Co-op. Central Bank, Kumbakonam.	89. Rao Saheb C.R. Lakshmivaraha Ayyangar.
	90. Mr. V. R. Srinivasan.
26. Tanjore Dt. Co-op. Central Bank, Tanjore.	91. „ D. Mahalingam Pillai.
	92. „ A. Veeravu Odayar.
27. Tinnevely Dt. Co-op. Central Bank, Tinnevely.	93. „ Sundarappa Naidu.
28. Trichinopoly Co-op. Central Bank, Trichinopoly.	94. „ E. V. Gopalaswami Iyer.
29. Co-op. Central Bank, Vizianagaram.	95. „ K. Kalidas.

## VI. URBAN BANKS.

### *Anantapur District.*

1. Hindupur Co-op. Town Bank.	96. Mr. L. Gangadhara Sastri.
2. Kadiri Co-op. Society.	97. „ Janab T. Phakeeruddin Saheb.

### *North Arcot District.*

3. Tiruppattur Town Co-op. Bk.	98. Mr. C. M. Subramania Naidu.
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### *South Arcot District.*

4. Villupuram Co-op. Urban Bank.	99. Mr. V. S. Kuppuswami Mudr.
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## APPENDIX (B).

### *Chingleput District.*

Names of the Institutions.	Names of Delegates.
5. Little Conjeevaram Co-op. Urban Bank.	100. Mr. K. Krishnaswami Iyengar.
6. Big Conjeevaram Co-op. Town Bank.	101. „ S. M. Varadarajulu Naidu.
7. Uttiramerur Co-op. Bank.	102. „ O.M. Venkatanatha Iyengar.
8. Madurantakam Co-op. Bank.	103. „ M. B. Lakshminarasimha- chariar.

### *Chittoor District.*

9. Madanapalle Co-op. Town Bank.	104. Mr. R. Venkatappa.
10. Tirupati Co-op. Town Bank.	105. „ P. Radhapati
11. Co-op. Town Bank, Chittoor.	106. „ V. Krishnamachariar.
12. Punganur Co-op. Town Bank.	107. „ P. Venkataratnam Chetti.

### *Coimbatore District.*

13. Erode Co-op. Urban Bank.	108. Mr. E. S. Govindasamy Naidu.
14. Coimbatore Co-op. Town Bank.	109. „ A. Palanisamy Gounder.
15. Satyamangalam Co-op. Urban Bank.	110. „ S. K. Krishnasamy Gouda.
16. Perundurai Co-op. Credit Society.	111. „ A. K. Subramania Chettiar.
17. Tiruppur Urban Bank.	112. „ C. S. Narayanaswami.
18. Gobichettipalayam Co-op. Urban Bank.	113. „ K. T. Vetrivelu Mudaliar.

### *Cuddapah District.*

19. Cuddapah Co-op. Town Bank.	114. Mr. Syed Abdur Rahiman Sahib.
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### *Ganjam District.*

20. Berhampur Co-op. Urban Bank.	115. Mr. A. Simbachalam.
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### *Godavari East.*

21. Co-op. Society, Palivela ...	116. Mr. T. Purushottam.
22. Kadali Co-op. Credit Society,	117. N. Sambhamoorti.
23. Pithapuram Co-op. Bank ...	118. Mutyala Sri Madhava Rao.
24. Ramachendrapuram Co-op. Urban Bank.	119. M. Narasimha Rao.
25. Cocanada Co-op. Bank ...	120. Darbha Venkayya.
26. Alamuru Co-op. Credit Society.	121. Y. Dorayya.

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## Godavari West.

Names of the Institutions.	Names of Delegates.
27. Ellore Co-op. Urban Bank.	122. Mr. Rampalli Subba Rao.
28. Bhimavaram Co-op. Urban Bank.	123. „ A. Suryanarayanamurty.

## Guntur District.

29. Bapatla Co-op. Urban Bank.	124. Mr. P. Adiseshayya.
30. Ongole Co-op. Bank	125. „ C. Venkata. Rao
31. Tenali Urban Bank	126. „ K. Krishna Rao.

## Kurnool District.

32. Kurnool Urban Co-op. Credit Bank.	127. Mr. S. Narasimhulu.
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## Madura District.

33. Periakulam Co-op. Urban Bank.	128. Mr. R. Srikrishna Naidu.
34. Madura Urban Co-op. Bank.	129. V. Chinnukrishna Naidu.
35. Kalayambattur Agraharam Co-op. Credit Society, Palani P. O.	130. K. S. Sundaraswami Iyer.

## Nellore District.

36. Nellore Town Co-op. Society.	131. Mr. M. S. Narasimha Rao.
	132. „ C. V. Narasimha Rao.
37. Nellore Government Servants' Co-op. Society.	133. „ T. G. Rangaswami Pillai.

## Nilgiris District.

38. Ootacamund Will's Co-op. Society.	134. Mr. R. A. Nathan, Rao Sahib T. R. Masilamony Nadar.
39. Nilgiris Public Servants' Co-op. Society, Ootacamund.	135. „ M. Padmanabha Nayakar.

## Ramnad District.

40. Manamadura Co-op. Urban Bank.	136. Mr. Visvanatha Iyer.
41. Vachakarapatti Co-op. Society.	137. „ S. Venkatachala Mudaliar.
42. Karaikudi Co-op. Urban Bank.	138. „ N. S. Venkatarama Iyer.
43. Bhupati Raja Co-op. Credit Bank. Rajapalaya.	139. „ P. S. Kumaraswami Raja.
44. Paramakudi Co-op. Society.	140. „ G. Sundaram Iyengar.
45. Sivaganga Co-op. Urban Bank.	141. „ S. Nagaswami Iyer.
46. Kaveripatnam Co-op. Town Bank.	142. „ P. N. Kuppuswami Naidu.

## APPENDIX (B).

### *Salem District.*

Names of the Institutions.	Names of Delegates.
47. Tiruchengode Co-op. Urban Bank.	143. Mr. V. T. Ramaswami. Iyer.
48. Krishnagiri Urban Co-op. Credit Society.	144. „ P. Krishnamurthy.
49. Thottappalayam Urban Bank, Velur.	145. „ T. P. Govindaraja Mudr.

### *Tanjore District.*

50. Co-op. Urban Bank, Tiruttu-raipundi.	146. Mr. N. R. Swamiappa Mudr.
51. Pattukottai Co-op. Urban Bank.	147. „ P. S. Swaminatha Iyer.
52. Nicholson Co-op. Town Bank, Tanjore.	148. „ S. Ramachandra Iyer.
53. Mayavaram Co-op. Urban Bank.	149. „ V. Krishnamurthi Iyer.
54. Shiyali Co-op. Urban Bank...	150. „ N. Ratnasabhapati Pillai.
55. Tranquebar Co-op. Urban Bank.	151. „ V. Kanakasabai Nadar.

### *Tinnevelly District.*

56. Prakasapuram Co-op. Bank, Nazareth, P.O.	152. Mr. T. V. Samuel.
57. Alwartirunagari Co-op. Bank.	153. „ N. P. Authan Iyengar.

### *Trichinopoly District.*

58. Lalgudi Co-op. Urban Bank.	154. Mr. V. S. Ramachandra Iyer.
59. Lalgudi Rural Bank ...	155. „ L. D. Ramachandra Iyer.

### *Vizagapatam District.*

60. Vizagapatam Co op. Bank ...	156. Rao Sahib T. Madhava Rao.
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## VII. NON-CREDIT SOCIETIES.

1. London Mission High School Students' Co-op. Stores, Gooty.	157. Mr. C. Ranganatha Aiyangar.
2. Pudupalayam Co-op. Stores, Cuddalore.	158. „ R. Krishnaswami Aiyangar.
3. Madanapalli Urban Co-op. Stores.	159. „ G. Venkataswamy Naidu.
4. Andhra Co-op. Ayurvedic Stores and Pharmacy, Amalapuram.	160. „ S. Satyanarayanamurthy.
5. Madura City Co-op. Stores ...	161. „ S. K. Tirumakilmaram Pillai.

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Names of the Institutions.	Names of Delegates.
6. Rameswaram Co-op. Stores ...	162. Mr. R. M. Doraiswami Pillai.
7. Krishnagiri High School Students' Co-op. Stores.	163. „ K. S. Chengalroya Ayyar.
8. Karur Co-op. Stores ...	164. „ B. K. Vembu Aiyer.
9. The Lalgudi Sivagnanam Co-op. Agricultural Society.	165. „ R. P. Ratna Sarma.
10. Co-op. Loan and Sale Society, Anakapalle.	166. „ B. Atchanaidu.
11. West Coimbatore Co-op. Building Society, Coimbatore.	167. „ G. V. Krishnamoorthy Aiyar.
12. Madras City Co-op. Building Society.	168. „ G. Srirambabu Naidu.
13. Co-op. Building Society, Anakapalli.	169. „ E. V. Papiiah Sastri.

## VIII. UNIONS.

### *Anantapur District.*

1. Hindupur Local Co-op. Union.	170. Mr. L. G. Sastri.
2. Penukonda Local Co-op. Union.	171. „ R. Hanumantha Reddi.
3. Local Co-op. Union, Gooty ...	172. „ Y. Ramaswami.
4. Madakasira Local Co-op. Union.	173. „ Siddanna Gowd.

### *Arcot North.*

5. Sambuvarayanallur Co-op. Union.	174. Mr. K. Ramachandha Sastriar.
6. Tiruvannamalai Co-op. Labour Union.	175. Rao Sahab M. S. Sechachalam Iyer.
7. Co-op. Union, Arni ...	176. Mr. S. Singara Mudaliar.
8. Timiri Co-op. Union ...	177. „ K. S. Rajagopala Mudr.
9. Vellore Audit Union ...	178. „ V. D. Arunachala Mudr.

### *\* Arcot South.*

10. Vridhachalam Taluk Co-op. Supervising Union.	179. Mr. M. G. Parthasarathy Mudaliar.
11. Cuddalore Co-op. Union ...	180. „ T. Veeraswami Reddiar.

### *Bellary District.*

12. Co-op. Union, Harpanahalli.	181. Mr. K. Srinivasa Rao.
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### *Chingleput District.*

13. Chingleput Co-op. Union ...	182. Mr. Luke Devadoss.
14. Madurantakam Co-op. Union.	183. „ M. Krishnaswami Iyengar.
15. Mukundagiri Co-op. Supervising Union.	184. „ M. K. Chakravarti Iyengar.
16. Co-op. Supervising Union, Uttiramerur.	185. „ M. Narasimbachariar.

## APPENDIX (B).

### *Chittoor District.*

Names of the Institutions.	Names of Delegates.
17. Madanapalli Local Co-op. Union.	186. Mr. G. Peddappa Reddi.
18. Vayalpad Co-op. Union ...	187. „ T. B. Venkataswamy Reddy.

### *Coimbatore District.*

19. Satyamangalam Local Co-op. Union.	188. Mr. S. A. Narayana Sastriar.
20. Palladam Local Co-op. Union.	189. „ R. M. Kumaraswami Gounder.
21. Local Co-op. Union, Perundurai.	190. „ P. V. Ganapati Iyer.
22. Gobichettipalayam Local Co-op. Union.	191. K. M. Ramaswami Gounder.
23. Kambuliampatti Local Co-op. Union.	192. Rao Sahib K. M. Chinna-rangayya Gounder.
24. Bhavani Local Co-op. Union.	193. Mr. S. V. Venkatasubbiar.
25. Suler Local Co-op. Union ...	194. „ R. N. Appaji Gounder.
26. P. Machi Co-op. Union.	195. „ S. Rangaswami Gounder.

### *Godavari East.*

27. Ramachandrapuram Co-op. Union.	196. Mr. M. V. Narayana.
28. Island Polavaram Co-op. Union.	197. „ Sree Raja Kakarlapudi Buchi Krishnam Raju.
29. Adduru Local Co-op. Union.	198. U. S. Ramachandram.
30. Palivela Local Co-op. Union.	199. P. Peda Suryanarayana Raju.
31. Local Co-op. Union, Kodurupadu.	200. N. Sreerama Raju.
32. Rajahmundry Local Co-op. Union.	201. Dr. P. Gurumurthi.
33. Amalapuram Local Co-op. Union.	202. K. Venkataratnam.
34. Alamuru Local Co-op. Union.	203. U. Ramamurti.
35. Narendrapuram Local Co-op. Union.	204. K. Satyanarayanamurti.
36. Mummidivaram Co-op. Union.	205. „ Ch. Venkiah.
37. Tupeswaram Local Co-op. Union.	206. Ch. Veereswara Rao.

### *Godavari West.*

38. Vundi Local Co-op. Union ...	207. Mr. M. L. Narasimha Raju.
39. Penugonda Local Co-op. Union.	208. „ Chellapati Seshagiri Rao.
40. Narasapur Co-op. Union ...	209. „ T. Venkatasatyasurya-prakasa Rao.

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## *Guntur District.*

Names of the Institutions.	Names of Delegates.
41. Co-op. Union, Ponnur ...	210. Mr. Dasari Adaiah.
42. Local Co-op. Union, Ongole.	211. „ A. Narayana Rao Garu.
43. Repalli Co-op. Union ...	212. „ Kari Lakshmana Rao.
44. Narasarowpet Co-op. Union.	213. „ Gade Simhachalam Pantulu.

## *Kistna District.*

45. Kaikalur Local Co-op. Union.	214. Mr. U. Muthamraju Pantulu.
46. Bezwada Local Co-op. Union.	215. „ Nallury Papaiah.
47. Arthamur Local Co-op. Union	216. „ K. V. Raghava Rao.
48. Local Co-op. Union, Madinepalli.	217. „ H. Perneed Chowdary.
49. Addada Local Co-op. Union.	218. V. Basaviah Garu, Addada.
50. Divisional Local Co-op. Union, Avanigadda.	219. M. Lakshminarasimha Naidu.

## *Kurnool District.*

51. Koilkuntla Co-op. Union ...	220. Mr. G. Nagi Reddi.
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## *Madura District.*

52. Othakadi Co-op. Union ...	221. Mr. R. Veluswamy Pillai.
53. Tiruparanakuram Local Co-op. Union.	222. „ D. Stephens.
54. Tirumangalam Local Co-op. Union.	223. M. S. Muthiah Tevar.
55. Periakulam Local Co-op. Union.	224. Matuthanayagam Pillai.
56. Melur Co-op. Union ...	225. A. Veluswamy.
57. Uthamapalayam Co-op. Union	226. A. S. Krishnaswami Iyengar.

## *Nellore District.*

58. Sulurpet Co-op. Union ...	227. Mr. K. Sundara Rama Reddi.
59. Peddapavani Co-op. Union ...	228. V. Appa Rao.
60. Kavali Co-op. Union ...	229. S. Venkatasubbaiah.
61. Indukurpet Co-op. Union...	230. Raghava Adiseshaiah.
62. Muthukur Co-op. Union. ...	231. D. V. Raghava Reddi.
63. Kovur Co-op. Union ...	232. T. Malla Reddy.

## *Salem District.*

64. Attur Co-op. Union. ...	233. Mr. Janab K. Abdul Hameed Saheb.
65. Rasipuram Co-op. Union. ...	234. „ K. Kuppanna Goundar.
66. Krishnagiri Local Co-op. Union.	235. „ K. R. Narasimha Goundar.
67. Dharmapuri Co-op. Union...	236. „ K. S. Lakshmana Rao.

## APPENDIX (B).

### *Nilgiri District.*

Names of the Institutions.	Names of Delegates.
68. Kotagiri Co-op. Union. ...	237. Mr. K. Belli Gowder.

### *Ramnad District.*

69. Sundarapandiam Co op. Union.	238. Mr. S. Ganapati Iyer.
70. Tiruppattur Local Co-op. Union.	239. „ Karimuthu S. Sivalingam Chettiar.

### *Tanjore District.*

71. Kumbakonam Taluk Co-op. Supervising Union.	240. Mr. V. S. Sesha Aiyangar.
72. Taluk Co-op. Supervising Union, Shiyali.	241. „ C. S. Sriivasa Mudaliar.
73. Tanjore Co-op. Supervising Union.	242. „ S. Thangavelu Pillai.
74. Mannargudi Local Co-op. Supervising Union.	243. „ T. B. Ratnachalam Ayyar.
75. Mayavaram Co-op. Supervising Union.	244. „ M. Muthukumarasamy Mudr.
76. Arantangi Co-op. Supervising Union.	245. „ R. Gopalaswami Row.
77. Co-op. Supervising Union, Tirutturaipundi.	246. „ T. V. Chandrasekharam Pillai.
78. Tiruvarur Co-op. Supervising Union.	247. Rao Sahib K. V. Tiruvenkata Mudaliar

### *Trichinopoly District.*

79. Kulitalai Co-op. Union ...	248. Mr. M. R. Balakrishna Iyer.
80. Lalgudi Co-op. Union ...	249. „ L. N. Paramasivam Pillai.

### *Vizag. District.*

81. Anakapalli Local Co-op. Union.	250. Mr. P. Sreeramulu Naidu.
82. Salur Local Co-op. Union ...	251. „ S. Suryanarayana Deo.
83. Chipurupalli Local Co-op. Union.	252. „ V. Satyanarayana Patnaik.
84. Narasapatnam Local Co-op. Union	253. „ D. Rama Rao Pantulu.
85. Local Co-op. Union, Yellamanchili	254. „ N. Satyanarayana.
86. Local Co-op. Union, Gajapati-nagaram.	255. „ J. Appalaswami Naidu.

## IX. LAND MORTGAGE BANKS.

1. Kattumannarkoil Land Mortgage Bank, (South Arcot District.)	256. Mr. M. Visvanatham Pillai.
2. Conjeevaram Co-op. Land Mortgage Bank, (Chingleput District.)	257. „ Achar Raghavachariar.



## THE MADRAS JOURNAL OF CO-OPERATION

Names of the Institutions.	Names of Delegates.
3. Madurantakam Co-op. Land Mortgage Bank (Chingleput District.)	258. Mr. A. Srinivasachariar.
4. Kambuliampatti Co-op. Land Mortgage Bank, (Coimbatore District.)	259. „ K. S. Rangayya Gounder.
5. Razole Co-op. Land Mortgage Bank, (East Godavari District.)	260. „ Vadrevu Ramamurti
6. Cocanda Co-op. Land Mortgage Bank, (East Godavari District.)	261. „ A. Ramachendra Rao Garu
7. Alamuru Co-op. Land Mortgage Bank, (East Godavari District.)	262. „ K. Bucheyya.
8. Penugonda Co-op. Land Mortgage Bank, (West Godavari District.)	263. „ I. Mallikarjunam Garu.
9. Bhimavaram Co-op. Land Mortgage Bank, (West Godavari District.)	264. „ S. Bhagavanuarayana.
10. Co-op. Land Mortgage Bank, Gudlavalleru, (Kistana District.)	265. „ Siva Venka Punnayya Pantulu.
11. Vadlamannadu Co-op. Land Mortgage Bank, Masulipatam, (Kristna District.)	266. „ Bhogaraju Venkataratnam Pantulu.
12. Velur Co-op. Land Mortgage Bank (Salem District)	267. „ M. K. Vyapurikanda.

### FRATERNAL DELEGATES WHO ATTENDED THE CONFERENCE.

1. Coorg Central Co-op. Bank, Mercara.	268 Mr. P. I. Belliappa.
2. Pudukkottai Co-op. Central Bank.	269. „ M. M. Belliappa.
3. Pudukkottai Town Bank	270. „ V. K. Rajagopala.
	271. „ G. Sundaresa Iyer
	272. „ V. Venkoba Rao.

### EX-OFFICIO DELEGATES.

273. V. Ramadas Pantulu Garu, B.A., B.L. President, P. C. U.
274. Dewan Bahadur T. A. Ramalingam Chettiar, B.A., B.L., M. L. C. Vice-President, P. C. U.
275. A. Ranganatha Mudaliar Avl., M. L. C. Vice-President, P. C. U.
276. Rao Bahadur A. Rajabadar Mudaliar Avl. B.A. Hon. Joint Secretary, P. C. U.
277. V. Venkatasubbaia Esq., B.A., Hon. Joint Secretary, P. C. U.
278. N. Satyanarayana Garu, Hon. Joint Secretary, P. C. U.
279. C. S. Sastri Esq., B.A. (Hons.) F.S.A.A., R.A., Treasurer, P. C. U.
280. K. Bhashyam Ayyangar Avl., B.A., B.L., E. C. Member, P. C. U.

# STATEMENT OF RECEIPTS AND CHARGES OF THE CONFERENCE.

Particulars.	Receipts.			Charges.		
	Rs.	A.	P.	Rs.	A.	P.
Delegation Fees	...	562	8 0	7	0	0
Boarding and Lodging	...	183	2 0	455	3	0
Donations	...	357	8 0	...		
Stationery	...	...		21	15	0
Contingencies	...	...		155	3	9
Establishment	...	...		23	10	8
Lighting	...	...		39	10	0
Printing	...	...		92	13	3
Postage	...	...		128	13	9
Telegrams	...	...		1	7	0
Co-operative Drama	...	...		97	1	0
Furniture A/c	...	...		58	0	0
		<u>1,103</u>	<u>2 0</u>		<u>1,080</u>	<u>13 5</u>
Balance of Stamps	...	...		1	11	9
Surplus	...	...		20	8	10
		<u>1,103</u>	<u>2 0</u>		<u>1,103</u>	<u>2 0</u>

## DONATION LIST.

S. No.	Names of Donors.	Amount.		
		Rs.	A.	P.
1.	Madras Provincial Co-operative Bank	...	50	0 0
2.	Sree Konaseema Co-op. Central Bank, Amalapuram.	...	25	0 0
3.	Ramachandrapuram Co-op. Central Bank	...	25	0 0
4.	Coimbatore District Urban Bank	...	25	0 0
5.	Madura-Ramnad District Co-op. Central Bank	...	25	0 0
6.	Vizianagaram Co-op. Central Bank	...	20	0 0
7.	Nellore Dt. Co-op. Banking Union	...	15	0 0
8.	Triplicane Urban Co-op. Society, Madras	...	15	0 0
9.	Salem Dt. Urban Bank	...	15	0 0
10.	Erode Co-op. Urban Bank	...	10	0 0
11.	Co-op. Central Bank, Vellore	...	10	0 0
12.	Co-op. Central Bank, Kumbakonam	...	10	0 0
13.	Dt. Co-op. Central Bank, Cocanada	...	10	0 0
14.	Co-op. Bank, Vizianagaram	...	10	0 0
	Total c/o	...	265	0 0

# THE MADRAS JOURNAL OF CO-OPERATION

S. No.	Names of Donors.	B. F. ...	Amount.		
			Rs.	A.	P.
			265	0	0
15.	Cuddapah Dt. Co-op. Central Bank	...	10	0	0
16.	Vizagapatam Co-op. Bank	...	10	0	0
17.	Pattukottai Urban Bank	...	10	0	0
18.	Razole Co-op. Land Mortgage Bank	...	7	8	0
19.	Little Conjeevaram Co-op. Urban Bank	...	5	0	0
20.	Periakulam Co-op. Urban Bank	...	5	0	0
21.	Paramakudi Co-op. Society	...	5	0	0
22.	Melur Co-op. Urban Bank	...	5	0	0
23.	Malabar Dt. Co-op. Central Bank	...	5	0	0
24.	Dharmapuri Co-op. Town Bank	...	5	0	0
25.	Guntur Dt. Co-op. Central Bank, Tenali	...	5	0	0
26.	Pithapuram Co-op. Urban Bank	...	5	0	0
27.	Attur Co-op. Union	...	5	0	0
28.	Tanjore Co-op. Union	...	3	0	0
29.	Pudukottah Co-op. Town Bank	...	2	0	0
30.	Pudukottah Co-op. Central Bank	...	2	0	0
31.	Krishnagiri High School Students' Co-op. Society	...	2	0	0
32.	Rameswaram Co-op. Stores	...	1	0	0
		Total ...	357	8	0

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## Meetings.

### BOARD OF MANAGEMENT OF THE P. C. U.

*Proceedings of the meeting of the Board of Management of the Madras Provincial Co-operative Union held at 9-30 a. m. on 28-9-35 in the premises of the P. S. High School, Mylapore, Madras.*

**Mr. V. Ramadas Pantulu (Chairman).**

#### PRESENT :

Dewan Bahadur T. A. Ramalingam Chettiar Avl.

Mr. V. Venkatasubbaiya.

„ N. Satyanarayana.

Rao Bahadur A. Rajabadar Mudaliar.

Dewan Bahadur Sir M. Ramachandra Rao, Kt.

Mr. V. Venkatachalar.

„ K. G. Sivaswamy.

„ T. Audinarayana Chettiar.

„ S. S. Sankara Mudaliar.

„ E. S. Sunda.

„ Dr. E. S. Ramasubbu.

„ S. Nagaswamy Iyer.

„ G. Sriram Babu Naidu.

Rao Saheb V. I. Muniswamy Pillay.

Mr. K. L. Narasimha Rao.

Rao Saheb G. Venkataratnam Pantulu.

Mr. L. Gangadhara Sastri.

„ M. G. Parthasarathi Mudaliar.

„ K. Krishnamoorthy Rao.

„ A. Ramachendra Rao.

„ V. Chinnikrishna Naidu.

„ K. Belli Gowder.

Rao Saheb K. V. Tiruvenkata Mudaliar.

Mr. P. Sriramulu Naidu.

Dr. P. Gurumurthi.

Rao Bahadur T. M. Narayanaswami Pillai.

1. Co-option of members to the Board of Management from the Constituency of District Federations and Local Unions for the following districts :

1. Coimbatore.

2. Malabar,

3. Trichinopoly.

4. Bellary.

“Resolved to co-opt the following members to the Board from the constituency of District Federations and Local Unions of the following districts :

Coimbatore	...	Mr. S.A. Narayana Sastri of Satyamangalam.
Trichinopoly	...	Mr. A. Rangaswami Gounder of Karur.
Bellary	...	Mr. A. Narayana Bhat of Harpanahalli.”

2. Consideration of the Administration Report (from 1st July 1934 to 30th June 1935) as approved by the Executive Committee to be presented to the General Body on 29-9-35.

“Resolved that the Administration Report be placed before the General Body for its approval.”

3. Budget for 1935-36.

“Resolved that the Draft Budget be passed with the following alterations :—

Provide Rs. 500 under T. A. for ‘ Meetings of Board ’ and reduce expenditure under ‘ other grants ’ by Rs. 500.

“Resolved that single III class fare and daily allowance of Rs. 2 per day be fixed as the scale for the T. A. of the members of the Board of Management to attend the meetings of the Board.”

4. Ratification of the action of the Executive Committee in approving the new scheme of Training Institutes of the Joint Registrar.

The following resolution was passed:—

“The action of the Executive Committee is ratified in respect of the present sessions of the two training institutes functioning under the scheme of the Joint Registrar. The Executive Committee is requested to formulate a definite scheme for the running of training institutes by the Provincial Co-operative Union and place it before the next meeting of the Board.”

5. Consideration of the resolutions of which notice is received from the members of the Board.

Mr. K.G. Sivaswami Iyer's resolution :

“The Board of Management approves the scheme of training of the Joint Registrar of Co-operative Societies with the following modifications :—

(a) It welcomes the early conversion of the Co-operative Institute into a college affiliated to the University.

(b) Pending qualified students passing with degrees in Co-operation, the present nine months' course for Inspectors should also be extended to the Supervisors.

(c) The selection of candidates by the Public Service Commission for employment in the Department should be from those who pass the nine

## MEETINGS

months' test, and not that the selected candidates should study for the nine months in a class.

(d) Preference should be given to graduates both in the selection of Supervisors and Inspectors.

(e) The preliminary training of 2 months for Supervisors will be too short to test their fitness and it should be extended to 3 months.

(f) The practical training should at least be for three months for the Supervisors who have passed successfully the nine months' course.

(g) The general meetings of the Supervising Unions if conducted on a planned basis with a syllabus of discussions on current questions for Panchayatdars will be sufficient training for them.

(h) Regarding Secretaries receiving remuneration and clerks in village societies, there should be provision for a short course, examinations and issue of certificates, preference should be given in making appointments to such trained staff."

"The resolution of Mr. K. S. Sivaswami Iyer is covered by the resolution No. 4 above and the same is referred to the Executive Committee."

6. Items of Expenditure incurred over and above the budget allotment during the year 1934-35 referred to the Board of Management by the Executive Committee for ratification.

Items of Expenditure.	Budget Estimate for 1934-35.			Actuals for 1934-35.		
	Rs.	A.	P.	Rs.	A.	P.
1. Andhra Sabakara Patrika	500	0	0	741	1	9*
2. Establishment	2,000	0	0	2,053	10	0
3. Telegrams	15	0	0	18	1	0
4. Postage	300	0	0	436	5	9

" Ratified."

## GENERAL BODY OF THE P. C. U.

A meeting of the General Body of the Madras Provincial Co-operative Union was held in the premises of the P. S. High School, Brodies Road, Mylapore, Madras, at 8-30 a.m. on Sunday the 29th September 1935. About 100 delegates attended the meeting. Mr. V. Ramadas Pantulu, President of the Union, occupied the chair.

The first item on the agenda was the consideration of the Administration Report of the Union from 1-7-1934 to 30-6-1935 and the Audit Reviews for the years 1933-34 and 1934-35. As the printed copies of the Report had already been circulated beforehand, it was taken as read.

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\* This sum includes the subsidy of Rs. 250 paid to the Nellore District Co-operative Banking Union for conducting the *Patrika* for the 2nd half of 1934-35.

A brief summary of the report is given below :—

The number of its society members fell from 470 on 30-6-1934 to 417 on 30-6-1935, chiefly due to the liquidation of supervising unions. Together with the 20 Honorary members elected by the General Body on 22-7-1934 the total number of members on 30-6-1935 was 437 as against 490 on 30-6-1934. The Board of Management of the Union met twice during the year, that is, on the 21st July 1934, and 18th November 1934. At the meeting held on 21st July 1935, the scheme formulated by Diwan Bahadur T. A. Ramalingam Chettiar regarding the conduct of the training classes retaining the nine months course as submitted to the Education Committee on 21-7-1934 was approved by the Board. The Board which met on the 18th November 1934 considered the scheme suggested by Government regarding the conduct of the Peripatetic Training Institutes and the subject of supervision of societies. The Board adhered to the resolution of the Education Committee dated the 21-7-1934 regarding the conduct of the Training Institutes. The Executive Committee met 6 times during the year and certain important subjects like the letter from the Government of India regarding the establishment of a Central Co-operative Advisory Board and handing over the publication of the "Andra Sahakara Patrika" to the Nellore District Co-operative Banking Union were decided. The publication of the "Patrika" was handed over to the Nellore District Co-operative Banking Union from January 1935 onwards.

The total receipts for the year amounted to Rs. 23,346-12-9 whereas the expenditure was Rs. 25,224-1-4. As per Audit Report of 1933-34 a sum of Rs. 1,374 2-0 was pending collection on 1st July 1934 towards annual contribution due from member societies. Since then a sum of Rs. 913-2-0 had been collected. The Union continued the publication of the "Madras Journal of Co-operation" as in previous years. Prof. S.K. Yegnanarayana Aiyar ceased to be its editor from January 1935 and his place was taken by Mr. V. Venkata-subbaiya. The members of the Executive Committee of the Union did co-operative propaganda in various parts of the presidency. Mr. V. Ramadas Pantulu the President of the Union, was the first Indian Delegate elected by the All India Co-operative Institutes' Association to the XIV International Co-operative Congress held in London in September 1934. The magic lantern prepared by the Union had good sales during the year and the Union realised a profit of Rs. 418-4-3 on the same.

The maintenance of the rural reconstruction centres had been one the special features of the Union for the last several years. The centres supported by the Union were not less than six in any year. During the year under report the Servindia Rural Centre at Mayanur, run by the Servants of India Society, was recognised. All the centres except Gudlavalleru worked satisfactorily. The activities of these rural reconstruction centres are not described here in detail owing to limited space.

## MEETINGS

The Madras Provincial Co-operative Bank gave a grant of Rs. 8,500 to the Union for education, propaganda and rural reconstruction during the year under report and the activities of the Union depended mostly on the Bank's contribution.

The adoption of the Report was moved by Mr. S. S. Sankara Mudaliar, President, the Madras District Co-operative Central Bank, and seconded by Mr. M. V. Narayana of the Ramachandrapuram Co-operative Union. There was some discussion on the subject of reduction of unions. Mr. Nagaswami Iyer of Sivaganga said that efficiency should be kept in view and that if we could not have efficient unions, it was better to abolish them and leave the Central Banks to supervise the work. Rao Bahadur V. Murugesu Mudaliar of Vellore said that for want of funds the number of Unions had to be reduced by amalgamation. Mr. V. Ramadas Pantulu explained how unions were multiplied with a view to get for them increased representation on Central Banks and was of the opinion that half of the unions existing at present would suffice for active work, especially as the number of societies which are working and requiring sustenance has gone down. Messrs. S. A. Narayana Sastri of Satyamangalam, C. Raiganatha Iyyangar of Gooty, K. V. Raghava Rao of Artamur, Cheuchu Reddi of Kurnool Central Bank, V. Appa Rao of Peddapavani, O. A. Narayanaswami Iyer of Tanjore and S. Nagaswami Iyer of Sivaganga took part in the discussion. At this stage Mr. L. Gangadhara Sastri sought permission to move the following resolution: "The Provincial Co-operative Union is of emphatic opinion that the existence of unions is necessary in the interests of the Movement." The House allowed the resolution to be discussed. After some discussion the House resolved "that the recommendations of the Executive Committee be given effect to with a view to strengthen and consolidate the supervising unions." The following are the recommendations:—Reduction in the number of unions by abolishing unnecessary and inefficient unions and by amalgamating small ones into larger ones wherever practicable; central banks appointing paid managers of unions where it is considered desirable and necessary; reduction in the number of members of the Governing Body to three or five, generally speaking; pooling the Supervision Fund in the Central Bank or the Federation where it exists; appointing of supervisors on district-cadre under the Bank or Federation where it exists.

Mr. S. Sankara Mudaliar sought permission to move the following two resolutions which had been proposed for the Conference but which were referred to the General Body of the Provincial Co-operative Union by the Subjects Committee of the Conference, as the resolutions related to the Provincial Co-operative Union:

1. "The annual contribution to the Provincial Co-operative Union by the Urban Banks shall be fixed at Rs. 5 irrespective of their working capital."

2. "More representation shall be given to the Urban Banks in the constitution of the Madras Provincial Co-operative Union."

The House was not in favour of taking them up for discussion.

The report was then adopted.

The meeting then terminated.



## Audit Orders.

*Audit Review for 1933-34, by M. R. Ry. A. Palaniappa Mudaliar  
Avl., M. A., Deputy Registrar of Co-operative Societies, Madras,  
on the accounts of the Madras Provincial Co-operative Union,  
No. 1130.*

1. The accounts of the Madras Provincial Co-operative Union, for the year ending 30-6-34 as audited by M. R. Ry. M. T. Rajaratnam, Senior Inspector of Co-operative Societies, Madras are approved. The statements of Receipts and Disbursements, assets and liabilities as furnished by him are appended to this review. (*Statements omitted—Ed.*)

2. The number of members on the rolls rose from 488 to 490 including the honorary members during the year.

3. *D.C.B. of Annual Contribution.* Out of a demand of Rs. 5,110-2-0 including the arrears of previous years, a sum of Rs. 3,736-0-0 was collected leaving a balance of Rs. 1,374-2-0 at the end of the year. Action may be taken to realise the arrears.

4. *Publication of Journals.* The publication of the Madras Journal of Co-operation and the Andhra Sahakara Patrika was continued during the year. The net income derived from the publication of the Madras Journal of Co-operation was Rs. 385-13-11 while there was a deficit of Rs. 637-15-8 on account of publication of Andhra Sahakara Patrika. The Union gave a subsidy of Rs. 600 to the Tamil Nadu Co-operative Federation for conducting the Tamil Journal 'Kootturavu.'

5. *Library and Reading Room.* Books to the value of Rs. 183-15-9 were added to the library. The reading room continued to be popular and it is satisfactorily managed.

6. *Propaganda.* The members of the Board visited various places on different occasions for propaganda as hitherto. The T. A. of the members on account of this work amounted to Rs. 364-10-0. Besides this a sum of Rs. 228-10-7 was spent for propaganda in Madras City.

7. *Lanterns and slides.* The Union continued the sale of magic lanterns. There was a net income of Rs. 511-4-6 under this.

8. *Meetings.* The General Body of the Union did not meet during the year. But the executive committee met 4 times and considered the question of affiliation and disaffiliation of societies amongst other subjects, while the rural reconstruction committee met on 24-9-33 and the education committee on 24-9-33 and 18-2-34 and discussed the various subjects entrusted to them.

9. *General.* The Provincial Co-operative Union received a grant from the Provincial Co-operative Bank, Ltd., Rs. 6,000 during the year under report.

(Sd.) A. PALANIAPPAN,  
Deputy Registrar,

16-2-35.

## AUDIT ORDERS

*Audit Review for 1934-35, by M. R. Ry. M. Giriappa Ayl., B.A., Deputy Registrar of Co-operative Societies, Madras, on the accounts of the Madras Provincial Co-operative Union, No. 1130.*

The accounts of the Madras Provincial Co-operative Union for the year ending 30th June 1935 as audited by M.R.Ry. C. Rajaram, Junior Inspector of Co-operative Societies, Madras, are approved. The statements of (1) Receipts and Disbursements and (2) Assets and Liabilities as furnished by him are appended to this review.

(*Statements Omitted—Ed.*)

2. The number of members on the rolls fell from 490 at the commencement of the year to 437 at the end, the fall being mainly due to the liquidation of the local supervising unions. The membership is distributed as shown below :

Name of the Institution.	As on 30-6-34.	As on 30-6-35.
1. Provincial Institutions ...	5	5
2. Central Banks ...	31	31
3. Language Federations ...	1	1
4. District Federations ...	6	2
5. Audit Unions ...	4	3
6. Urban Banks ...	82	84
7. Land Mortgage Banks ...	17	18
8. Non-credit Institutions ...	40	30
9. Local Supervising Unions.	278	238
10. Training Institutes ...	6	5
11. Honorary Members ...	20	20
Total ...	490	437

3. *Funds* —The funds of the Union are composed mainly of subscriptions in contributions, in subsidies and voluntary contributions. Against a total demand under the first two items of Rs. 13,916-15-0 there was a collection of Rs. 8,853-6-0 leaving 36 per cent of the demand yet to be collected by the Union. The voluntary contributions and subsidies received during the year amounted to Rs. 5,870 of which Rs. 5,000 was the grant from the Provincial Co-operative Bank, Ltd. The total receipts during the year were Rs. 30,635-6-2 while the expenditure was Rs. 25,224-1-4 leaving a surplus of Rs. 5,411-4-10. The union is requested to take adequate steps to realise the arrears of subscriptions and contributions as early as possible.

4. *Activities* :—(1) Journals :—(a) The Union continued to publish the Madras Journal of Co-operation in English. The total income derived from this publication was Rs. 5,394-8-4 while a sum of Rs.2,955-2-6 was spent towards running the Journal. There was therefore a surplus

of Rs. 2,439-5-10 under this head. (b) Towards the publication of the Journal 'Kootturavu' a sum of Rs. 500 was given as subsidy to the Tamil Nadu Co-operative Federation. (c) The Andhra Sahakara Patrika, the Telugu Journal, was published by the Union till 31-12-34 after which it was handed over to the Nellore District Co-operative Banking Union, Ltd. For the half year ending 31st December 1934 there was a loss of Rs. 387-6-9 in its working and a sum of Rs. 250 was paid to the Nellore District Co-operative Banking Union, Ltd., as subsidy for continuing the publication of the Journal under their auspices.

2. *Rural welfare schemes* :—A statement of Receipts and Disbursements of the Rural Reconstruction account is appended. A sum of Rs. 4,542-11-2 was received for conducting the Rural Reconstruction Centres being mainly the grants from the Provincial Bank and contribution from Nellore District Bank for one centre. The expenditure incurred in this branch of work was Rs. 4,354-6-6 of which the major portion was emitted to the various centres for this work.

3. *Education* :—Grants to the Training Institutes and for Co-operative education were made to the extent of Rs. 1057-10-0 while a sum of Rs. 253-1-11 was spent in the training classes held for the supervising and administrative staff of non-official agencies. A sum of Rs. 276-10-5 was realised as fee from students while a sum of Rs. 550 was received as Government subsidy to one of the Institutes.

4. *Library and Reading Room* :—A sum of Rs. 200 was received from Government as grant for the maintenance of the library while a sum of Rs. 771-2-3 was spent by the Union in maintaining the library and Reading Room, out of which books worth of Rs. 564-11-3 were purchased.

5. *Propaganda* :—The members of the board continued to do propaganda work in the districts and also in the Madras City. For propaganda work, the Union continued to manufacture magic lanterns and slides to aid co-operative education through films. The manufacturing account shows that sales were made to the extent of Rs. 3,568-15-0 and the profit to the Union in this account was Rs. 418-4-3.

6. *Meetings* :—There was a General Body meeting held to consider and adopt the annual report and accounts for the year ending 30th June 1934 at which office-bearers were also elected.

The Board of Management met twice in the year for conducting the business of the Union while the executive committee met 6 times in the

(Sd.) M. GIRIAPPA,  
Deputy Registrar

## News and Notes.

The annual report of the Coimbatore District Urban Bank for 1934-35 shows that it had 815 members consisting of 642 societies and 173 individuals with a share capital of Rs. 2,52,572-4-0. It issued Rs. 19'37 lakhs by way of fresh loans to societies and individuals and received towards repayment of loans a sum of Rs. 15'29 lakhs. With a view to encourage the spirit of emulation among the unions in the district, a prize of a shield and a silver cup to the best union was instituted during the year. The prize was awarded to the Nambiyur Union. The Bank spent a sum of Rs. 4,812 out of its common good fund for rural reconstruction work at the Satyamangalam and Perundurai centres. During the year under review the new building of the Bank was completed and it was opened by Mr. G. K. Devadhar, M.A., C.I.E., President of the Servants of India Society, on 26-8-34. The Bank made a net profit of Rs. 34,338-10-0 as against Rs. 62,258-7-0 in the previous year. This decrease was chiefly due to the reduction in the rate of interest to 6 per cent on all loans outstanding.

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The 21st annual report of the Co-operative Central Bank, Conjeevaram, for the year ending 30th June 1935, is a record of satisfactory progress in a year of continued economic depression. There were at the end of the year 172 individual and 739 society members, as against 170 and 740 respectively at the commencement of the year. The share capital of societies decreased from Rs. 2,88,693 to Rs. 2,84,593, whereas the share capital of individuals remained stationary. The Bank did not borrow from the Provincial Co-operative Bank, though there was credit accommodation to the extent of 1.7 lakhs. Out of a total demand of 14.21 lakhs only 2.49 lakhs was collected. The percentage of overdues to demand was 82, as against 76 in the previous year. The Bank however considers the collections are not worse than anticipated. The non-union societies in Poonamallee area, in charge of the special officer, showed a reduction of 11 per cent in overdues as compared with the last year. At a joint meeting of the Bank and the Federation, at which the Registrar and the Deputy Registrar were present, it was decided to liquidate 22 out of 44 societies that had heavy and long standing overdues against them, and to take coercive measures in the case of the other 22 with the help of the Department. Many societies availed themselves of the concessions offered by the Bank by way of reduction in interest and extension of period. During the year under report the loans of 246 societies were examined, bringing the total number of societies examined to 484, leaving a balance of 178 societies to be examined. The supervision work was done by the Federation quite satisfactorily. To effect economy in expenditure and work, the Federation was put under the control of the Bank by merging it with the administrative section of the Bank. The

Gray Free Reading Room started in 1933 continued to be popular and a sum of Rs. 506-5-9 was collected as donations for its upkeep. The Bank earned a net profit of Rs. 49,102-4 as against Rs. 46,257-8 in the previous year. The Bank is to be congratulated on earning a profit larger than last year in spite of the continued economic depression and the fall in business transactions. A sum of Rs. 14,500 has been set apart as reserve for bad and doubtful debts.

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Diwan Bahadur K. Deivasikhamani Mudaliar, Joint Registrar of Co-operative Societies, opening the new buildings of the Hindupur Co-operative Town Bank in August last, made some interesting observations on the working of the co-operative movement and of Urban Banks in particular. Mr. Mudaliar, after paying a tribute to the working of Town Bank for having been the first urban bank to introduce the cheque habit among its members, referred to a matter pertaining to urban banks and central banks which deserves urgent consideration. He pointed out that while the market rate of interest had fallen considerably on account of the present depression, co-operative societies which ought to have been the first to take advantage of this had not at all given the benefit of the low rates of interest to their members.

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Mr. K. Narayanaswami Mudaliar, Deputy Registrar of Co-operative Societies, Vellore, opened the Tiruppanangadu Button Manufacturers' Production and Sale Co-operative Society at Tiruppanangadu, a village eight miles from Conjeevaram. The object of the Society is to provide some subsidiary occupation to the agriculturists of that and some neighbouring villages. Some of the boys of the local Panchayat school were trained some time ago in making buttons. We are sure the new society will prove of great benefit to them.

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The Lalgudi Sivaguanam Co-operative Agricultural Society had 180 members at the end of the last co-operative year with a paid up share capital of Rs. 2,140. The Society continued to maintain its demonstration farm which consists of  $9\frac{1}{2}$  acres of wet lands. The absence of a permanent farm of its own was keenly felt by the Society. The Society continued to act as an agent for the Imperial Chemical Industries (India) Ltd., Madras, for the sale of chemical manures. The business was done on consignment system as usual. In addition, the society purchased outright other kinds of manures and seeds for sale. During the year under review the Society amended its by-laws so as to advance loans to members on the security of their produce and to arrange for the sale of produce of the members. The net profit of the Society during the year amounted to Rs. 1,465-15 as against Rs. 594-8 in the previous year. Its 10th anniversary was celebrated in September last under the presidency of the Hon'ble Mr. P. T. Rajan, Development Minister. Replying

## NEWS AND NOTES

to an address presented to him on the occasion, he congratulated the society on its continuous and steady progress. He assured the members of the society that the Government would earnestly try to give it the necessary grant for the acquisition of a farm of its own. He advised the president and members of the society to start the cultivation of sugar-cane at least to meet their own demands.

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The annual report on the working of the Madras Co-operative Milk Supply Union for 34-35 shows the satisfactory progress made by the Union as a result of its extended activities. The authorities of the Union deserve our congratulations. At the end of the last co-operative year the Union had 13 members of which 3 were nominated members and 10 affiliated societies. The Union borrowed no money from the Government during the year under report, and the amount borrowed from the Government in 1928 and 1929, viz., Rs. 15,000, was completely repaid and as such there were no overdues from the Union to the Government. The Union has 24 depots in the City where milk is sold. It purchased during the year 3,19,678 measures of milk and sold 2,89,704 measures. Unsold milk was converted into curd, butter and ghee. The Union made a profit of Rs. 4,667-7.

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The 9th annual report of the Satyamangalam Local Co-operative Union (1933-34) shows that the membership of its affiliated societies fell from 1271 to 1156. The Union is taking active steps this year for the collection of arrears due to the District Bank from the Talavadi, Maranur, Pattaramangalam and Desipalayam Societies, whose work, for the last 2 or 3 years is reported to be unsatisfactory. As a result of timely arbitration by the Union some societies were prevented from liquidation.

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At the end of 1934-35 the membership of the Dharmapuri Co-operative Union rose from 40 to 42. It is of opinion that sufficient steps have not been taken by its member societies to raise their membership and to increase their transactions. The Union will best rouse enthusiasm in the societies by itself arranging propagandist and educative meetings in the villages in its area.

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With a view to co-ordinate the activities of the development departments of the State and to devise methods for rural uplift, the Pudukottah Durbar has constituted a Rural Development Board for the State. The Board will consist of seven officials and nine non-officials. Its functions are purely advisory and are as follows: (i) to discuss questions of policy relating to the working of the various development departments; (ii) to make suggestions to the Government in regard to the improvement of agriculture, industrial and other matters of economic importance; and

(iii) to consider important proposals and schemes suggested by each of the development departments. This work of the Board will be watched with keen interest.

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The Travancore Agricultural Debts Redemption Committee which was appointed some time back have published their report recently. The recommendations made by the Committee are similar to those made by the Special Officer appointed by the Madras Government to investigate into rural indebtedness. The main recommendations of the Committee are as follows: (1) The establishment of debt conciliation boards to bring about an amicable settlement between the debtors and creditors (2) The reconstitution of the Land Mortgage Bank so as to liquidate the debts as conciliated by the debt conciliation boards by the issue of debentures to the creditors on the security of the debtors' property mortgaged to the Bank. (3) The payment of the decreed amounts in long instalments spread over for a period of 20 years. Some minor recommendations have also been made regarding the mortgages with possession, arrest and detention, paddy loans and agricultural loans.

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A Central Land Mortgage Bank was registered in Bombay in September last of which Sir Lallubhai Samaldas has consented to be the Chairman. It has been organised on the same lines as the Central Land Mortgage Bank of our province. It will take over the 13 district land mortgage banks already functioning in the presidency.

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The Servants of India Society is running a rural reconstruction centre at Chowduar, in Cuttack district in Orissa, since 1928. The chief features of the centre are: (i) a primary school, (ii) a weaving institute, (iii) a dispensary, (iv) a leprosy clinic, where weekly injections are given to about 100 patients, (v) an experimental farm, (vi) a co-operative society and (vii) a free reading room etc. There are also some other items of work which are attended to by this centre like writing petitions and placing grievances before proper authorities. Mr. L. N. Sahu, M.A., a member of the Servants of the Society, is in charge of the centre. Maharaja Sree Vikramdeb Varma of Jeypore (Vizag Dt.) has recently placed a sum of Rs. 1,000 at the disposal of Mr. Sahu for rural reconstruction work.

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The Government of the Straits Settlements passed recently a Money-lenders Ordinance which will come into force from the beginning of next year. It is intended to protect debtors against unscrupulous creditors who charge exorbitant rates of interest.

## LIST OF SOCIETIES REGISTERED AND LIQUIDATED

### List of Societies registered during the month of August last.

	Name of Society.	District.
1.	Pattiveeranpatty Co-operative Society	... Madura.
2.	Karimpuzha Weavers' Co-operative Purchase & Sale Society	... Malabar.
3.	Cannanore Co-operative Building Society	... "
4.	Macherla Vaddaras Labour Co-operative Society	... Guntur.
5.	Chintaguntapalem Co-operative Thrift & Loan Society.	... Kistna.
6.	Salem Dhobies Co-operative Credit Society	... Salem.
7.	Rasipuram Co-operative Land Mortgage Bank	... "
8.	Guttigar Co-operative Society	... South Kanara.
9.	Amaranalkur Co-operative Society	... "
10.	Tiruvadi Co operative Loan & Sale Society	... Tanjore.
11.	Velacheri Agricultural Improvements Society	... Chingleput.
12.	Kavundapadi Weavers' Co-operative Purchase & Sale Society	... Coimbatore.
13.	Pykara Power House Co-operative Stores	... Nilgiris.
14.	Nellore District Labour School Teachers' Co-operative Society	... Nellore.
15.	Alturti Co-operative Credit Society	... "
16.	Ammavaripalem Co-operative Society	... "

## The Erode Co-operative House Mortgage Bank, Limited.

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*Particulars from the Secretary,*

E. S. GANAPATI AIYAR, B.A., B.L.,  
*President.*



# THE MADRAS JOURNAL OF CO-OPERATION

## List of Societies whose registration has been cancelled in August last.

Name of the Society.	District.	Date of cancellation
1. Kattankolathur Co-op. Supervising Union.	Chingleput ...	1-8-35
2. Anakkavar Agricultural Improvements C. S. Ltd.	North Arcot ...	"
3. Rajahmundry Municipal High School Students' Stores Ltd.	East Godavari.	"
4. Kambaipatti C. S. ...	Madura ...	2-8-35
5. Dalavaipuram C. S. ...	Tinnevelly ...	"
6. Guntur Taluk Co-op. Union ...	Guntur ...	6-8-35
7. Sirugappa Public Servant's C. S.	Bellary ...	7-8-35
8. Yadiki Christian C. S. ...	Anantapur ...	9-8-35
9. Panankulam C. S. ...	Tinnevelly ...	"
10. Pallakal Pudukudi C. S. ...	Tinnevelly ...	10-8-35
11. Chittedu C. S. ...	Nellore ...	12-8-35
12. Dhona Local Co-op. Union ...	Kurnool ...	"
13. Kumaravadi C. S. ...	Chingleput ...	15-8-35
14. Nanjayampalayam Adi Dravida C. S.	Coimbatore ...	16-8-35
15. Kadalur C. S. ...	Nellore ...	17-8-35
16. Bellary Section Co op. Subordinates' C. S. Ltd.	Bellary ...	19-8-35
17. Peringode Laxmi Vilas C. S. ...	Malabar ...	"
18. Nallur C. M. S. Officials C. S. Ltd.	Tinnevelly ...	16-8-35
19. Cuddalore Seem. Co-op. Servants' C. S. Ltd.	South Arcot ...	21-8-35
20. Upparapalli C. S. ...	North Arcot ...	"
21. Pandlur C. S. ...	Nellore ...	"
22. Muthulapuram C. S. ...	Madura ...	22-8-35
23. Trichinopoly Co-op. Printing and Publishing Society Ltd.	Trichinopoly.	24-8-35
24. Vaduvapatty C. S. ...	Tinnevelly ...	"
25. Angadipuram Board High School Students' Co-op. Stores.	Malabar ...	18-8-35
26. Karinganipalli C. S. ...	Anantapur ...	28-8-35
27. Tirur Local Co-op. Union ...	Malabar ...	"
28. Tellichery Co op. Stores Ltd. (not started).	" ...	27-8-35
29. Naduvattam C. S. ...	" ...	29-8-35
30. Chinnakodamagundla Xian C. S.	Tinnevelly ...	30-8-35
31. Pudupatti C. S. ...	" ...	"

**G.Os. and Circulars.**  
**GOVERNMENT OF MADRAS.**  
**DEVELOPMENT DEPARTMENT.**

G. O. No. 1272 Ms., dated 14th September 1935.

**ABSTRACT.**

Co-operative Societies-Provincial and Central Banks—Investment of general funds in and inclusion of debentures of Central Land Mortgage Bank for fluid resource—Orders passed.

**ORDER :—**

Under section 34 of the Madras Co-operative Societies Act, 1932, the Madras Provincial Co-operative Bank and Central Banks may invest their general funds in the debentures of the Madras Co-operative Central Land Mortgage Bank, Ltd., the principal and the interest of which have been guaranteed by the Government. The Government are pleased to permit these banks to reckon the debentures they so hold for the purpose of fluid resource up to a limit of one-third of the standard required to be maintained by them, the debentures being taken at 80 per cent of their market value.

(By order of Government, Ministry of Public Works)

C. A. HENDERSON,  
*Secretary to Government.*

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(Journal of the All India Co-operative Institutes' Association).

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GOVERNMENT OF MADRAS.

ABSTRACT.

Government Servants' Conduct Rules—Rule 12 Government Servants of the Co-operative Department permitted to become B class members of Land Mortgage Banks—Local Ruling (2) Amended.

PUBLIC (SERVICES) DEPARTMENT.

G. O. No. Ms. 1345, dated 15th August 1935.

ORDER :—

The following notification will be published in the Fort Saint George Gazette :—

*Notification.*

In exercise of the powers conferred by sub-rule (2) of rule 48 of the Civil Services (Classification, Control and Appeal) Rules, the Local Government are hereby pleased to make the following amendment to the Government Servants' Conduct Rules.

*Amendment.*

In Local Ruling (2) under rule 12 of the Government Servants' Conduct Rules, the following sentence shall be added at the end, namely:

But Government servants of all classes employed in the Co-operative Department, including Deputy Registrars and Sub Deputy Registrars, may become B class members of primary land mortgage banks.

(By order of the Government, Ministry of Public Works).

E. F. THOMAS,

*Ag. Chief Secretary to Government.*

D. Dis. A. 6118/35.

OFFICE OF THE

REGISTRAR OF CO-OPERATIVE SOCIETIES,

*Madras, 8th September 1935.*

T. AUSTIN ESQ., I.C.S.,

*Registrar.*

CIRCULAR.

In the course of the examination of the condition of the societies in a certain district in 1928 it was found that out of 409 societies in the district over 100 had all the loans outstanding against their members overdue. When the Central Bank in another District was inspected in 1933, it was found that three societies were in default to the Central Bank for over 10 years and 36 societies for more than five years. In the course of inspection of another Central Bank in 1935, it was brought

to notice that 24 societies have not paid a single pie since the date of disbursement towards the 31 loans which they have taken from the Central Bank. The period of default ranges from 4 to 14 years. In another 16 societies no payment was made towards principal for over five years. The appended statements show the loans in question.

(Statements Omitted—Ed.)

2. Deputy Registrars are requested to examine the case of each loan borrowed by a society from a Central Bank and find out exactly its present position. They should not be satisfied with a mere classification of the amounts involved according to the period of default. They will have to examine the loan ledgers of Central Banks and find out whether there are societies which have not paid anything towards principal or interest for years. There is no justification for keeping these societies on the list. A loan which has not been repaid within a reasonable period, say, 5 years should be considered definitely bad and no time should be lost to take action against the borrower of such a loan. Action cannot be postponed in such cases owing to the reason that general depression prevails. Deputy Registrars are requested to make special reports about this matter when they make the next half-yearly inspection of Central Banks.

(By order)

K. A. PADMANABAN,  
*Manager.*

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# THE Madras Journal of Co-operation

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[No. 5

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## Editorial Notes.

### Report on Rural Indebtedness.

The Report of Mr. W.R.S. Sathianathan, I.C.S., on Agricultural Indebtedness in this Province and the ways of affording relief to the debtors is a very interesting document. Mr. Sathianathan has analysed the causes of indebtedness, has estimated its volume and the effect of the economic depression upon it, and has suggested legislative remedies such as the constitution of Debt Conciliation Boards, the regulation of the accounts of money-lenders, their compulsory registration, the adoption of the principle of *Damduput* etc. He has estimated the indebtedness at Rs. 200 crores and the average annual income of an agriculturist at Rs. 15 which includes Rs. 3 to Rs. 4 from other sources than produce from land. We guess this will come as a great surprise to many students of economics, who will no doubt examine carefully the data on which Mr. Sathianathan has based his calculations. One result of the recommendations contained in his report is that the Legislative Council is proceeding with the consideration of Diwan Bahadur T. A. Ramalingam Chettiar's Debt Conciliation Bill, and under the Agriculturists Loans Act, Government have resolved to issue loans up to a certain aggregate amount for the clearance of debts in two revenue divisions, one in Chingleput and one in East Godavari.

*Objectionable References.*

Mr. Sathianathan however has not chosen to confine himself to the terms of reference, but has gone further and made recommendations for the better working of the different Departments concerned with the welfare of the agriculturist. He has dealt at considerable length with the working of co-operative societies in the Province. Having had in hand a wide subject to deal with, we wish he had let alone such an important subject as the co-operative movement, for a study of which he had neither time nor facilities. With a degree of confidence which is commonly described as characteristic of the I.C.S. mind, he has made sweeping statements and off-hand recommendations which weighty committees after months of enquiry would have hesitated to make. Particularly objectionable is the tone of his references to the non-official leaders of the co-operative movement. For instance, in one place he says: 'I am told, and what I have seen clearly indicates, that there is a school of non-official co-operators, which stands for de-officialization and exercises a dominating voice in the affairs of this movement. There is a disinclination to offend this body by word or deed, and many are unwilling openly to question its views, though ready enough to criticize in confidence. Such reluctance to offend has, I fear, led to much "whitewashing" of the defects of the movement.' We do not know to whom Mr. Sathianathan refers by this 'school of non-official co-operators.' So far as de-officialisation is concerned, it has been the declared policy of the Government from the very inauguration of the movement itself—progressive de-officialisation in proportion as the movement grows able to stand on its own legs. There is not much difference of opinion on this question of de-officialisation among non-officials for there being a 'school' in one quarter. Nor are we aware of much difference of opinion between the Department and the non-officials. Mr. Sathianathan has referred to the 'whitewashing' of the defects of the movement. When and by whom was it done? To be sure, he does not mean that the Registrar of Co-operative Societies, out of fear of this group of non-officials, who favour de-officialisation, has been hiding the defects of the movement from the Government and the public? Everywhere, in our newspapers, journals, conferences etc., the defects are exposed and not 'white-washed'.

*De-officialisation.*

Mr. Sathianathan of course does not favour de-officialisation. On the other hand, he has strongly recommended that the

## EDITORIAL NOTES

supervision of co-operative societies should be entirely in official hands. He says, "As long, therefore, as supervision is allowed to run its present fatuous and irresponsible course, there can be no hope for the co-operative movement. The only feasible remedy seems to me to be the transfer of the entire work of supervision to the Co-operative department." The subject of supervision has received careful treatment at the hands of the various Committees on Co-operation appointed from time to time by different Governments and States. None has, so far as we are aware, recommended that it should be vested in the department. The MacLagan Committee so far back as 1915 said, "These functions (supervision) should, in our opinion rightly devolve on the co-operative institutions themselves" and went on to say :

"In whatever way the staff is organised it is for the societies or their Unions or Central Banks to see that a sufficient and efficient staff is maintained to carry out their duties, and the Registrar, though watching through the auditing staff how far societies do really attain to efficiency, and thereby keeping a check on supervisory work, should not himself unnecessarily interfere with it. For supervision the strength of the staff will depend on local conditions and on the extent to which honorary workers are available. The staff will not be under the orders of the Registrar or his auditors, and its reports will be submitted to the body which maintains it, and will not necessarily go on to the Registrar."

In pursuance of this recommendation it was, that supervising unions came to be organised in various parts of the country, and more thoroughly in this province than elsewhere.

The Townsend Committee, which reported in 1928, was more definitely in favour of supervision being in the hands of Unions. "Unions, formed and controlled by the societies themselves, provide the ideal organizations for this purpose (supervision)." This opinion was based not only on their own observation but also upon the evidence received by them. "The evidence we received, including that from most of the banks themselves, was strongly in favour of vesting the duty in Unions, as at present." Thus the policy pursued by the Government in respect of supervision has not been dictated by fear of an unnamed 'school of non-officials' who favoured de-officialisation but by weighty Committees consisting of experienced officials and non-officials.



*Supervising Unions.*

The continuance or discontinuance of Unions and the possible provision of supervision by agencies other than Unions, has been engaging the attention of co-operators in this Province—and also of Bombay—for some years. But the department and non-official bodies in this province are agreed in thinking that Unions as a class must remain, though inefficient ones may be dissolved and amalgamations may be effected for improving their efficiency. Perhaps Mr. Sathianathan does not know that official supervision does prevail even now in the case of depressed classes societies. But their condition is not better than that of other societies and therefore many of them are being brought under supervising unions. Attempts have also been made here and there to rectify societies and improve them without the intervention of supervising unions. But the results have not been encouraging.

Mr. Sathianathan has made some other recommendations with a view to tighten the control of the department over the societies. Among them are that the Registrar should be empowered to issue surcharge orders in respect of negligence or irregular expenditure, as he is now empowered to do in case of fraudulent breach of trust, and that the Registrar should be empowered to punish a member of a society with a fine for wilful disobedience of the Act, without prosecuting him before a Magistrate etc. The only comment we need make on these recommendations is that Mr. Sathianathan has not grasped either the spirit or the purpose of the co-operative movement.

His report would not have lost any of its value but on the other hand would have gained in weight, if he had not wandered into the realm of co-operation without a reliable guide in the absence of previous experience or preparation.

**Dr. Fay's Speeches.**

The co-operators of Mysore should be congratulated on having been able to get Dr. C.R. Fay, Chairman of the Horace Plunkett Foundation, to open their last Provincial Co-operative Conference, the proceedings of which are published in this issue. He broke his journey in India on his way to Australia and visited Hyderabad, Mysore and Coorg. Illness prevented him from responding to our invitation to visit Madras, where doubtless he would have been glad to visit the Triplicane Stores and give the local co-operators an

opportunity to meet him. The speeches he made at Mysore and Mercara are published in this issue and we are sure they will be read with the utmost interest.

In his Mysore speech he declared that the factors essential for the success of a store society were loyalty, shrewdness and determination on the part of the members and that their poverty was not a formidable barrier. Of these three factors we should think that lack of shrewdness in a broad sense has been the most common cause of the failure of stores in our country. "If you buy wrong stuffs or employ a salesman who is crooked or incompetent you disgust your members and they leave." This is what has been happening in most places. Dr. Fay's condemnation of credit sales was particularly to point in Mysore where, unlike in Madras, credit sales to members are the prevailing practice. "If wage-earners are in debt" he said, "it is not necessity but their own deliberate and foolish extravagance which keeps them in debt all their lives. That was what the poor co-operators of England and Scotland found a century ago." The statement is applicable with greater force to South India, as the vast majority of the members of consumers' societies here are not wage-earners but educated salary-earners to whom it should be easier to make cash purchases. Regarding our wasteful expenditure on ceremonials he said, "To speak quite frankly, the extravagance of Indian men and women in social ceremonials, in dowry, in the size of the family itself, bewilders the students and working people of England." Our credit societies have only aggravated this extravagance in us by providing greater and greater facilities for borrowing. In theory we have recognised the importance of thrift as an object of co-operation. Its promotion is included in the objects of every society. In practice it is found only in a few special types of societies like the better living societies of the Punjab. As Dr. Fay said, unless we get rid of this extravagance no co-operative movement that is really worth while can arise in our towns, and if it does not arise in our towns it cannot arise in our villages.

Speaking of village credit societies Dr. Fay observed that the financing of societies by deposits and borrowings drawn from persons or bodies higher in wealth and social status than the borrowers, cut at the essence of co-operation. He thus objects on principle to rural societies being financed by central banks which get their deposits from the surplus income of the urban population. He does not,

however, object to land mortgage banks being financed from outside sources, including the Government. "I can see no better way of using such a loan than to pay off a debt incurred at a higher rate," said he. The argument applies with equal, if not greater, force to the member of the village society. His being financed from an outside source may make him theoretically a less than 100 per cent co-operator, but in his present indebted condition, when he is obliged to pay a very high rate of interest on borrowings and when he makes practically no savings from his calling, he would be unable to make any economic progress whatever if he were not helped by outside finance.

At Mercara in Coorg, where the cultivation of oranges is an important industry, Dr. Fay exhorted his hearers to emulate the citrus growers of California in organising themselves into a co-operative association for the growing and marketing of oranges. We hope this suggestion will be acted upon in the near future, as the planters of Coorg are among the most advanced of Indian communities and are a very homogeneous class.

### The Mysore Conference.

In his presidential address at the Mysore Provincial Co-operative Conference, Mr. A. Krishna Rao drew pointed attention to some serious defects in the working of urban banks, the prevalence of which is not confined to the institutions in Mysore State. One of such defects is the frequent overriding by the general body of the decisions of the managing committee, though the latter may have taken such decisions in exercise of the powers entrusted to it by the by-laws of the society. This is due to the powers of the general body being quite undefined in the by-laws. Such overriding becomes a tyrannical interference with the executive and destroys the latter's sense of responsibility, besides being often ill-advised. Mr. Krishna Rao has therefore suggested that the powers of the general body should be properly defined, either by the by-laws of the societies or by the rules framed by the Government under the Act. This is a suggestion well worth considering. Another defect pointed out by him is that a person becomes a member of several societies and borrows freely from all of them, often up to the limit permitted by each of them, thus practising not thrift but the very opposite of that virtue. The prevalence of this evil was recognised in Madras some years ago, and now the rules framed under the Act prevent a person

from being a member of two credit societies. Rule XX runs as follows :

“ No person being a member of a credit society, except a land mortgage bank or a financing bank, shall be a member of any other credit society without the general or special sanction of the Registrar ; and where a person has become a member of two such credit societies, either or both of the societies shall be bound to remove him from membership upon a written requisition from the Registrar to that effect.”

We should recommend the adoption of a similar rule by all provinces and States. Mr. Krishna Rao also suggested that it was time that small urban societies, organised either on the basis of streets and wards of towns or on that of communities, were discouraged. The principles on which urban banks rested were different, he said, from those of rural societies, and it was not good that the latter should be prescribed for the former in the mistaken belief of their being the only true co-operative principles. Certainly it is difficult for small urban societies to be efficient, and as for communal societies, the sooner they disappear from our land the better will it be for society at large. Mr. Krishna Rao's suggestion that every member of an urban society should be compelled to subscribe to the provident fund was accepted by the Conference, which resolved further that societies should be prohibited from granting loans on the security of that fund. In giving effect to this resolution care will however have to be taken to see that members will not be driven to terminate their membership of the society solely for getting control of the fund. Adequate propaganda regarding the object of the fund would have to be conducted. One other excellent suggestion made by Mr. Krishna Rao was that co-operative building societies, instead of giving loans to their members for the purpose of building houses, should themselves build houses of standard designs and make them available for members on suitable terms either for sale or for occupation. Under the present system it too often happens that a member builds a house which is far beyond his means, is unable to pay the instalments and finally loses the house itself.

### Some Resolutions.

While most of the resolutions passed at the Conference are unexceptionable and well-advised, we confess we are doubtful regarding a few of them. One resolution postulates that land mortgage

banks should issue short term loans for current agricultural operations, fixing the sum of Rs. 250 as the maximum individual limit for such loans. Just as it is undesirable for an ordinary rural credit society to give both short and long term loans to its members, so it is undesirable for a land mortgage bank to issue both long and short term loans. We hope that in Mysore one who a member of a land mortgage bank is not prohibited from being also a member of an ordinary credit society. The two kinds of institutions should be considered supplementary and not mutually exclusive. Another resolution lays down "that the present practice of recovering interest on loans in advance should be limited to a period not exceeding 6 months." We are very much surprised that the practice of collecting interest in advance is at all prevalent in Mysore societies. It certainly is not equitable and unheard of in this province. Instead of fixing six months as the maximum period for which the interest may be collected in advance, the resolution ought to have condemned the practice outright. Another resolution has asked the Government to exempt co-operative societies from the levy of certain fees, duties and taxes. We admit that we are not yet strong enough to dispense with every form of assistance from the State; but we should like that as far as possible the assistance from the State not to take the form of exemption from taxes, irrespective of the capacity of societies to bear them but some other suitable form such as subsidies or services.

### Supersession of Central Banks.

We wish to draw the attention of our readers and of the members of the Legislative Council in particular to the article published in this number on the 'Supersession of Co-operative Central Banks' by Mr. V. Ramadas Pantulu. It is a dignified protest against the substance of the Bill to amend the Co-operative Societies Act and the manner in which it was passed recently by the Legislative Council. As Mr. Pantulu has pointed out, neither the Provincial Bank nor any Central Bank was consulted whether the change from 'concurrence' to 'consultation' was agreeable to or desired by either of them. Diwan Bahadur T. A. Ramalingam Chettiyar alone suggested in the Council that this amendment to the Act was premature and uncalled for. But the House which was obviously too preoccupied with other matters to appreciate properly the implications of this Bill quietly allowed it—because it was a Government Bill—to be passed at a single sitting. Objection should be taken even more to the manner in which this piece of legislation has been passed than to its substance which has been well explained by Mr. Pantulu.

# Supersession of Co-operative Central Banks.

## Amendment of the Madras Co-operative Societies Act (VI of 1932)

BY MR. V. RAMADAS PANTULU

The following notification has appeared in the issue of the Fort St. George Gazette, dated 29th October 1935 :—

### *Bill No. 21 of 1935*

“Whereas it is expedient further to amend the Madras Co-operative Societies Act, 1932, for the purpose hereinafter appearing, it is hereby enacted as follows :—

1. This Act may be called the Madras Co-operative Societies (Amendment) Act, 1935.

2. For sub-section (5) of section 43 of the Madras Co-operative Societies Act, 1932, the following sub-section shall be substituted, namely :—

‘(5) Before taking any action under sub-section (i) in respect of a financing Bank or in respect of a Society indebted to a financing Bank, the Registrar shall consult in the former case the Madras Provincial Co-operative Bank, and in the latter case the financing bank concerned, regarding such action.’

### *Statement of Objects and Reasons*

Under clause (ii) of sub-section (5) of section 43 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), the Registrar has to obtain the previous concurrence of the Madras Provincial Co-operative Bank before superseding the Committee of a financing bank. As the executive committee of the Provincial Bank is largely composed of the representatives of the financing banks, there is considerable delay in getting such concurrence. Further, a financing bank need not necessarily be affiliated to the Provincial Bank. In such cases, there is obviously no need to obtain the concurrence of the Provincial Bank. The object of this Bill is to substitute the requirement of consultation with the Provincial Bank for its previous concurrence.”

The Bill was taken up as an urgent measure by the Council on the 2nd November and passed into Law almost without any discussion. Neither the Madras Provincial Co-operative Union nor the Madras Provincial Co-operative Bank was consulted about the Bill and much less the financing banks. The existing provision in the Act requiring the concurrence of the Provincial Bank for the supersession of a Central Bank was inserted in the Madras Act VI of 1932 on

an official amendment moved by the Government's spokesmen in the Council, though in the Bill as passed by the Select Committee, only the word, "consultation" occurred. The change made in the Council at the instance of the Government was the result of the discussions between the then Registrar and myself and a full consideration of all the implications of the question by the Government. Nothing seems to have occurred between then and now to justify the amendment now proposed; and there does not appear to be any conceivable reasons for rushing the Bill in this manner, without even caring to ascertain co-operative opinion thereon.

The main reason given in support of the proposed amendment is that there has been "considerable delay in getting the concurrence" of the Provincial Bank for the supersession of central banks. The charge of delay levelled against the Provincial Bank is wholly unfounded. So far, the committee of only one Central Bank—the Hospet (Bellary) Co-operative Central Bank—has been superseded and there was no avoidable delay in the Provincial Bank giving its concurrence to the supersession of its committee, after the Registrar had placed the relevant facts before the Executive Committee of the Provincial Bank. The only other requisition from the Registrar, for the supersession of the committee of a Central Bank, that came to the Provincial Bank was in regard to the Guntur District Co-operative Central Bank. Strong representations were received from the Central Bank concerned against the proposal for supersession and the Provincial Bank had to consider them and call for necessary explanations, specially as no adverse allegations regarding its financial condition were made against the central bank, and the main charge related to internal dissensions and factions in the directorate. Ultimately the Executive Committee requested the Registrar to give a further chance to the Bank to set right matters and to postpone action for about six months, which will expire about the end of this year, and to take such action thereafter as he may consider fit, under section 43, without the necessity of again approaching the Provincial Bank. Thus the statement that there has been considerable delay in obtaining the concurrence of the Provincial Bank is not at all correct. An *ex parte* decision giving concurrence without due enquiry into the case and without ascertaining all relevant facts is unfair and undesirable. There was no more delay than was absolutely necessary for the purpose of enabling the Executive Committee of the Provincial Bank to give a considered opinion. But for the fact that the Legislative

Council has already passed the measure even without caring to enquire into the correctness or otherwise of the allegation made in the statement of objects and reasons, and without due notice to the public or to the institutions concerned, the Provincial Bank might have released for publication the correspondence that passed between the Registrar and the Bank in these two cases to enable the Council to judge how far the charge of delay against the Provincial Bank was well founded.

The other statement that a financing Bank "need not necessarily be affiliated to the Provincial Bank," *if it is intended to apply to a Central Bank financed by the Provincial Bank and which is affiliated to the latter at the time of supersession*, is reactionary and one whose implications are far reaching. The present structure of the Madras Provincial Co-operative Bank is the result of a definite policy pursued both by the officials and non-officials in the past of integrating all the central banks into a federal apex organisation of their own. This new doctrine enunciated in support of the bill is subversive of all sound principles of co-operative finance and is in violent conflict with the scheme upon which the Madras Provincial Co-operative Bank has been built up.

The supersession of a central bank against the wishes of the Provincial Bank will lead to grave inconveniences and serious anomalies, which must be obvious to any one who knows the working of our Credit Movement. The superseded Central Bank in charge of a manager appointed by the Registrar will, unless disaffiliated from the Provincial Bank in the wake of the supersession order or unless the Government directly finances it, still have to depend on the Provincial Bank for finance. If depositors want back their money or the societies affiliated to the central bank require fresh finance, the Provincial Bank will have to advance funds at the instance of the manager who is put in sole charge of the Bank and whose indents for further loans from the Provincial Bank the Registrar will pass on in the usual course of business. The way in which the Registrar discharges his responsibility towards a superseded Central Bank may be judged from the fact that the dictator appointed for the Hospet Central Bank is a *Junior Inspector* of the department. "Consultation" before supersession will be an idle formality. The Registrar will rarely ask the Provincial Bank before he has made up his mind to supersede the committee of a Central Bank. The Provincial Bank is sure to be overruled on every occasion when it objects to supersession. The Provincial Bank will, in my opinion, be stultifying itself by giving its opinion on such so-called consultation.

The absence of a similar provision for the "concurrence" of the Provincial Bank in regard to the liquidation of a Central Bank affiliated to and financed by the former does not furnish an analogy. Properly speaking, there ought to be a similar provision in regard to that also. In any case, the two are not analogous. Liquidation can



be ordered only on definitely specified grounds and after an open statutory enquiry, and an appeal lies against an order of liquidation. None of these safeguards exists in the case of supersession. The Registrar is the sole judge whether the Committee of a Central Bank is "functioning properly" and the only protection that Central Banks now enjoy against hasty or arbitrary exercise of the wide and unrestricted powers under section 43 is the "previous concurrence" of the Provincial Bank. It is this protection that the Bill removes. The Minister's plea that the executive head of the Department may be implicitly trusted to use such unrestricted powers wisely and fairly and cases of misuse if any, may be brought to the notice of the Legislature, is too stale a bureaucratic plea to require fresh refutation.

Moreover, on liquidation the membership of the Central Bank in the Provincial Bank automatically ceases and the depositors and member societies of the Central Bank look to the liquidator alone. In fact, the Provincial Bank too has to look to the liquidator alone for the realisation of its dues from the Central Bank. If the Government contemplate that a Central Bank whose Committee is superseded against the wishes of the Provincial Bank, need have no further financial relations with the Provincial Bank, as the Government's argument in support of the proposed amendment that a Financing Bank need not necessarily be affiliated to the Provincial Bank seems to indicate, then the Government is extremely ill advised and has evidently overlooked the obvious difficulties that will arise in regard to the financing of Central Banks so dealt with.

The real reason at the back of the Government's amendment seems to be one of official prestige and nothing else, unless it has some connection with the desire of the Ministers to arm themselves with new powers to be used in the ensuing elections under the new Constitution. With the Provincial Bank, however, it is not a question of prestige or politics but a real financial problem which arises from the necessity to lend funds to Central Banks without even a Committee to manage them and in charge of Junior Inspectors of the department as in the case of the Hospet example.

Attempts of the co operators in this Province to establish the closest and most efficient business relations between the Provincial Bank and the Central Banks will be frustrated by this most retrograde measure. Moreover, the dependence of the Central Banks on the local departmental officials will become much greater, for it is on their recommendation that the Registrar usually acts, and the freedom of the co-operative organisations to shape their own policies in the interests of the Movement in their areas will thereby be greatly impaired and the last vestige of so-called independence of co-operative institutions to manage their own affairs will be wiped out. I am sure that the number of the few non-officials of influence and position, who are still in the movement, will become still less, with measures like these and the spirit undermining them.

# The State and Rural Uplift

BY K. G. SIVASWAMY, B.A.

## *Planned Economy*

If the condition of the ryot is to be improved in his surroundings, reform should come not piecemeal through several departments but as an organic whole by the combination of various departments working under a central authority. The central authority should supply the necessary drive and be the dynamo from which a new energy is generated to reach the villages. The Royal Commission on Agriculture cannot be said to have emphasised this point too much, when they put the whole responsibility on the Government to frame a co-ordinated and combined policy in this respect. In Madras effect was given to this recommendation of the Royal Commission by issuing a Government order to form a Development Board in each district under the presidency of the Collector. Nothing has been achieved beyond that order. It is doubtful whether the appointment of a special officer to co-ordinate the work of the various departments will be of much use. What is really required is the formation of an annual programme by all the heads of departments in full consultation and a periodical review of the progress for each quarter. Much depends upon the personality of the officers. Departments have a natural tendency to run into mechanical grooves and to look to the satisfaction of regulations rather than the achievement of their purpose.

## *Unification of the Rural Staff.*

Secondly, Government should see to what extent the work of the Co-operative, Agricultural and Industries departments could be combined for the purpose of economic uplift. While on the one hand, research, audit, higher industrial education and assistance to large scale industries should be kept separate under different departments, Government should see whether propaganda, organisation and education in respect of agriculture and cottage industries could not be left in the hands of the district officers, thus avoiding the need for more than one development officer in each district. Such an officer will supervise co-operative societies, be responsible for the spread of agricultural improvements and the promotion of cottage industries, organise marketing and run classes of instruction for boys

and adults in all matters relating to the economic advancement of the village. It should also be possible for the officer to take the assistance of the non-official staff working under the co-operative societies. In this manner the services of the Agricultural Demonstrators and Co-operative Inspectors appointed to do work other than audit, and the Supervisors working under Co-operative Central Banks would be available for carrying out an intensive programme of agricultural and industrial improvements. The other aspect of village work relates to better living. This is at present under the charge of the Health Department. To some extent the engineering staff under Local Bodies are also helpful, as they make the estimates and supervise the works of village panchayats. Those works are mostly roads, wells, repairs of tanks and school buildings which do not require an advanced knowledge of engineering for preparing estimates or for carrying them out. The activities of the Village Panchayats relate to sanitation and public health. It will therefore be useful to have a single staff trained in public health making minor estimates, supervising village work and being made responsible for the proper administration of village panchayats. The separate audit staff of the co-operative societies may also audit the accounts of the village panchayats, thus acting as a check on the activities of the Panchayat Supervisors. At present the Health Inspectors have no educative work in respect of raising village contributions to the extent of half the amount either in cash or as communal labour for streets, wells, roads, drains, bore-hole latrines and other improvements. Experience in Madras and Mysore has shown that panchayats do the work at half the cost of what is spent by the district boards and the Public Works Department. If a proper utilisation of the existing staff in the several departments is to be made in the manner above indicated, it is necessary that they should get sufficient training in rural reconstruction activities both economic and civic.

#### *Economic Holdings.*

We will now deal with the immediate items of legislation that are required to help rural uplift activities. The first problem that suggests itself for solution is the uneconomic nature of holdings. The holdings become too small for the maintenance of a family, firstly by sub-division among the holders and secondly by the holdings being scattered. It should be possible to start with permissive legislation requiring as in the Central Provinces that a scheme of consolidation should be binding on the owners, if one half of them holding two

thirds of the occupied area, agree to such a scheme. Compulsion should be enforced only as a last resort and every effort should be made to persuade the parties to agree voluntarily. The Royal Commission on Agriculture have suggested the experiment to be conducted in special areas. When once the results are encouraging, they hope it will spread to all the parts in the country. As regards the evil of fragmentation, this can be easily remedied by mutual exchange of lands, and here also legislation will be necessary to coerce the minority where the majority agree to exchange their lands and thus consolidate their plots.

*Land Settlements and Collective Farms.*

The next problem to consider is whether sufficient land exists in the country to be parcelled out to the landless classes in villages, and whether such a reform is possible only by taking over the lands of the bigger landlords who allow them to lie fallow, and by paying them compensation.

Experience in Madras shows that land settlements hardly succeed unless other facilities are also granted along with the grant of lands. In the first place the right sort of settlers have to be picked out and an initial gift of money given to start them in life. Secondly, land improvement loans should be made available for the reclamation of lands and the digging of wells. Thirdly, the Local Boards should come forward to provide drinking water, and give facilities for the construction of huts and sheds to house the cultivators and their cattle. Agricultural loans should also be issued for cultivation purposes. Finally, there should be provision for the proper marketing of the produce. It is possible in channel areas where new villages are being formed, to plant a model colony which will be an example of better living and better farming.

*State Farms and Employment Works.*

Besides these small settlements, it is equally necessary that the State should undertake large scale cultivation by reclaiming large areas and raising crops under mechanised methods of production. Capital and labour are not now allowed to move freely from one country to another for purposes of exploitation as was prevalent some years back. Each country is today following a policy of national self-sufficiency. Apart from the policy of tariffs for increasing national production, governments in the West have embarked upon large

policies of planned economy in respect of reclamation of lands and public works not only with a view to increasing production, but for giving work to the large unemployed population in industrial towns. It is noteworthy that in the State of Mysore a large programme of improvement in sugar cane cultivation is being put through in the Irwin Canal area. But more could be done on similar lines for large scale production and at the same time work provided for a very large number of unemployed rural labourers.

#### *Irrigation.*

One important measure of irrigation suggests itself in relation to this subject of land development. There are large areas over which the rain water rushes to waste and it should be possible to conserve it by a regulation of the surface water and the construction of small tanks and bunds. These works might possibly be undertaken by the ryots themselves through co-operative irrigation societies. But they require a special agency to investigate such schemes, to promote and execute them either directly or as joint undertakings of the ryots. The Royal Agricultural Commission have recommended the starting of a special branch for this purpose under the Irrigation Department.

#### *Debt Relief Legislation.*

Measures of legislation are equally necessary to relieve the heavy indebtedness on the land. Even at a time when the condition of the agriculturists was better than at present, the Royal Commission on Agriculture recommended a number of measures for relieving indebtedness. They reported that the existence of debts which could not be redeemed under any circumstances was a great drawback to agricultural progress. They recommended for the consideration of Provincial Governments a simple Rural Insolvency Act and the formation of conciliation boards which should liquidate the debts of all classes of debtors, owing even small amounts, who cannot repay their debts from their surplus income in a period of fifteen years. They have further expressed the view that mortgages should be made terminable within a period of twenty years and suggested a Money Lender's Act which should enforce the proper keeping of accounts and provide for the licensing of money-lenders and a stricter application of the Usurious Loans Act. They even go so far as to say that rural uplift workers should educate the debtors that the son is not legally bound to pay the debts of the

father due on promissory notes. They conclude "that just as creditors have the right to insist that all the debtors' assets should be impounded and applied towards payment of debts, so also the debtor who has given up his debts should have the clear right to be allowed to earn his living if he can and be free to make a new start in life."

*A new Co-operative Policy.*

The legislative and administrative reforms should be supplemented by a proper organisation of the ryots for raising credit, making joint purchases and marketing the produce. Village co-operative societies have no good record of efficient service for all classes of population and where they are not serviceable, they should be replaced by the larger unit of the branch of a Central Bank. Such branches should employ trained inspectors of a high class for distributing credit, promoting savings, supplying goods and taking charge of the produce. Government should also sanction loans to co-operative societies and private merchants to build warehouses in market centres where the ryots may deposit their produce for sale and the receipt thereof will be available as an instrument of credit for raising ready money in the market. When once the officer responsible for co-operative administration has also to shoulder responsibility for agricultural propaganda, the co-operative organisation will really serve the purpose for which it is intended, namely, credit for agriculture, supply of agricultural requisites, sale of produce and promotion of subsidiary industries and savings. It is a matter for regret that the propaganda section of the Agricultural department has not kept pace with the research section in the matter of popularising improved seeds. The Land Mortgage Banks too should take up the work of assisting in the improvement of land, instead of confining their attention as at present to the liquidation of prior debts.

*State promotion of Agricultural and Cottage Industries.*

Until rural industries reach a stage of being organised by skilled workmen who get trained in factories and large scale undertakings, the State will have to shoulder the responsibility in this matter. The Royal Commission on Agriculture have mentioned various possibilities of new industries such as introducing better and new patterns in weaving, pottery, lac, carpentry, silk weaving, cotton and ginning mills, and agricultural industries for converting raw produce into marketable ones such as the decortication of ground-nut, the making of jaggery and the crushing of oil seeds. More

possibilities also exist near towns for growing vegetables and maintaining bees and poultry. Labourers may get work also near forests. The breeding of cattle, sheep and pigs will give additional income. The provision of better village amenities may give a little more work. But finally they remark that the population that could be absorbed by these methods is 'infinitesimal' and that it is only an intensification of agriculture that will employ a large number of labourers.

*Labour Unions and State Aid.*

Labour Unions have got great scope for progress in rural areas. They might undertake road work and silt clearance in channels, if Government and local bodies will only extend their patronage to them. In agricultural areas these labour unions will create a sense of better living, moderate the drink habit, reduce the expenditure on ceremonies, promote literacy and adult education. They may press at the start for small benefits like a minimum wage for whole time farm servants or the reduction of rentals and the raising of wages so as to enable tenants and labourers to send their children to school.

They might also undertake cultivation of lands and clearance of silt in channels. In the case of unattached labourers, it will be a great relief to them if they get at least the benefit of the hides of the carcasses which they undertake to remove. In the case of the Chuckler labourer who in some areas has to supply shoes for a nominal payment in kind, it will equally be a relief to him if this service is not compelled by the landlord. As regards all kinds of unattached labour, it is the sole responsibility of the State to devise their absorption in useful occupations.

*Preference to Poor Areas.*

The Royal Commission on Labour have made recommendations in the case of industrial labour which are even more needed for agricultural labourers. They have put the case for liquidation of debts in such clear and forcible terms that I quote it below. "The objection based on the sanctity of contract may have been genuine in the past; to-day it is difficult to regard it as more than an excuse. To talk of sanctity in connection with the normal contracts made between a money-lender and an illiterate industrial worker is a grave misuse of a good word. The contract in most cases is unequal and unfair from the start. It is easy for a man to contract away his labour for years

in a moment of thoughtlessness or at the call of some extravagant social demand." They recommend that insecure debts of industrial labourers in receipt of wages or salaries of a specified amount should be liquidated on the basis that the amount recovered should not exceed a three years surplus of income over expenditure and that the decrees for such amounts shall be executed within four years. They have also recommended that the present provision in the Civil Procedure Code fixing a certain salary as non-attachable for debts should be sufficiently raised as to include the industrial wage earners. They further recommend the abolition of arrest and imprisonment for debt. If these are required to save the industrial labourer who is in receipt of a monthly fixed income, they are still more necessary in the case of farm servants and the casual labourers in rural areas whose wages are subject to fluctuations in the prices of agricultural commodities and a struggling competition among themselves.

*The Protection of Child Labour.*

Legislation will also be necessary to protect the rights of children. The international labour convention on this matter was not ratified by the Government of India for various reasons. But, wherever facilities exist for the education of all the school-going population and the introduction of compulsion, early legislation is necessary that in such areas the employment of children under the age of 12 should be prohibited during the school hours. It is also necessary that in the interest of children the minimum age of employment and hours of work should be legally fixed with a view to prevent their exploitation by their parents and employees. Thirdly, it should be made illegal for any parent to pledge his child for labour, thus permitting him to release the boy from any employment at any time. The idea that a parent has received certain advance from a landlord and is therefore bound to keep his child under him until he repays the loan should be knocked off, and the parents should be educated that they or their children are free to leave the services even though they have taken a loan from their master.



## Share Capital in Societies

BY K. L. BHANDARI, B.A.

The primary object of introducing the Share Capital by-law in societies seems to be the desire to create what is called owned capital, and with a view to be assured of this amount, it has been specifically stated that privileges of membership would not be allowed to be exercised by any member who has defaulted in payment of any instalment of Share Capital. This is clear in the by-laws of both limited and unlimited societies.

What is now seen however in practice is that general body meetings are held with defaulter members who have not paid their share instalments; resolutions are passed when they cannot validly take part in such proceedings, nay, even loans are granted to such members. It is being considered that such actions or procedure can be condoned as being only irregular though they are strictly opposed to the by-laws—the very foundation of agreement upon which the structure of a society is based and registered. I cannot think that the Department does not know the practical working in this direction. Auditors invariably point out in their notes, yet no steps are taken to rectify this defect. There is no doubt, that membership will dwindle, as the by-laws provide, that in such cases the share money has to be returned or penalty levied, and the member ceases to have rights in the society.

To ensure the good working of a society on right lines, the share capital by-law ought to be enforced more strictly than at present. This will entail the removal of membership in a large degree; and some societies may have to be wound up for want of even the necessary minimum membership of 10. If this by-law had been observed more strictly hitherto, neither the present extent of overdues nor the difficulty of securing efficient management in societies would have been faced.

Even now it is not too late. Rectification may be pointed in this direction as well. Shrinkage in working capital will be noticed but we have to sacrifice quantity for preserving quality. Dross has to be removed, and one has to take courage in both hands in this cleansing work.

The importance of share capital is felt by the Department; in those Central Banks where there is a clamour for return of at least part of it on the ground of over capitalisation, the Department has sternly refused to allow it.

In societies where it ought to have been collected as per by-laws, nothing is done and the by-law is ignored. This is one of the reasons why the average primary society is not what it was hoped to become, and has failed to come up to our expectations.

Shall we probe into this matter also in the cleaning process?

## Dr. Fay in Mysore and Coorg.

### SPEECH AT MYSORE.

Dr. Fay delivered the following address in declaring open the 22nd Mysore Provincial Co-operative Conference, the proceedings of which are published elsewhere in this number:—

“Having worked upon the problems of Co-operation for exactly thirty years, both in England, the stronghold of the consumer’s movement, and in North America the stronghold of co-operative marketing, I have come now to India, in order that I may learn your problems at first hand and, if opportunity offers, give you some help in return. I am the Chairman of the Horace Plunkett Foundation which has its headquarters in London. We are to be an imperial clearing-house for the movement. We have no politics; we are our own masters. Our purpose is objective analysis. Co-operation is too important a movement now to need advertisement. We have arrived at the stage when what we most need is a truthful estimate of what we can do and what we cannot.

Co-operation is a world-wide movement, which is now about one hundred years old. It is related historically to that profound economic upheaval which we call the Industrial Revolution. It has appeared always in response to some economic pressure such as the growth of factory life or of commercial agriculture, both of which have altered fundamentally the older simpler relationships between town and country. Industrialism smashed the old domestic industries of England, but Industrial Democracy in the person of the Rochdale Pioneers had done something to recreate the old home life. It has rebuilt this old life around a new and larger home, the co-operative society. The Rochdale Pioneers Society founded in 1844 was the present model of the two great federations of societies which to-day have their wholesale houses, their factories, their insurance society, their bank, and last but not least, their tea plantations in Ceylon and South India, which I have just had the pleasure of visiting.

#### *The Store Movement.*

The supreme merit of the co-operative store movement is that it succeeds, and succeeds without the help of anyone from without. It makes an asset of the act of spending because of the dividend on purchases. It has turned old indebtedness into new saving. It is a

permanent testimony to the power, as well as the virtue of cash payments. It is a rock of social stability, and a training ground in self-government. Without its support, the Labour Party could hardly hope to command the confidence of moderate men and women. I add women because the women of England spend the wages, and they have the movement in their keeping. Co-operative store-keeping is always a possibility provided that the population has three qualities, loyalty, shrewdness, and determination. If you start a store and buy elsewhere you destroy your own child. If you buy wrong stuffs or employ a salesman who is crooked or incompetent, you disgust your members and they leave. If you give in at the first check, you are not worthy to be a co-operator. It is not a question of poverty. The starving debt-burdened hand-loom weavers started the movement in England and wage-earners equally poor started it in Western Europe. It is a question of character.

But, of course, you must have wages to spend at your store ; and it is among town wage-earners, small Government officials, railway-men, the transport workers that I look to see such a movement growing in India. I have seen one town store in Bangalore. You ought to have many such in your State, all ultimately united under a co-operative wholesale society. If wage-earners are in debt, it is not necessity, but their own deliberate and foolish extravagance which keeps them in debt all their lives. That was what the poor co-operators of England and Scotland found a century ago. I have little hope of any consumers' movement which involves itself in lending operations to its members, for in doing so, it destroys the only chance of bringing the indebtedness to an end. To speak quite frankly, the extravagance of Indian men and women in social ceremonies, in dowry, in the size of the family itself, bewilders the students and working people of England. If you cannot transfer some of their expenditure to the endowment and enrichment of that larger family grouping the co-operative society of the towns, I think no co-operative movement that is really worth while will arise in your towns. And if it does not arise in your towns, I cannot see with what sort of honesty you can go and preach co-operation to the much poorer people in the country.

#### *Problem of the Cultivator.*

The problem of the cultivator is more difficult. He draws no regular wages; and unless he inherits an unencumbered farm, he must incur debt. The experience of Europe and the New World is that

there is a big and legitimate field for the State-aided Land Mortgage Bank. It is only quasi-co-operative in form and function; but the more co-operation there is, the better, provided that the co-operative element is not at the expense of financial stability. Such a bank supplies landowners, possessing a good title, with funds at a lower rate than they would have to pay in the open market. I can see no better way of using such a loan than to pay off a debt incurred at a higher rate. But it leads nowhere unless this easement is made the opportunity for better farming. The valuation on which the loan is made should be conservative, and the payments of interest and principal should be extended over a long period of years, but rigidly enforced. The aim should be to select good risks and help only those who are capable of helping themselves.

There remains the need of the cultivator for a seasonal loan over the crop year. This is the field in which the Raiffeisen village system presupposes a spirit of thrift. Those countless little villages of Germany and Central Europe themselves before the Great War provided the saving which they then lent out among themselves. They took the place of the buried stocking. Now in the new world, and, if I mistake not, to a large extent in India also, the Raiffeisen essential has been largely absent. For the deposits come from persons or bodies higher in wealth and social status than the borrower and this cuts at the essence of co-operation. The unlimited liability of a group of thriftless persons is something which is worth nothing. Indeed it is worth less than nothing because it prevents the farmer of moderate substance from joining. Therefore, the village bank should be selective,—if you will, exclusive,—and confined to those who are thrifty enough and honest enough to become credit-worthy. The day of 'easy money' I firmly believe has passed. No Government, Indian or British, can face it as a permanent policy. But it is possible for co-operative supply and co-operative sale. For, if the cultivator uses his loan through a co-operative channel, e.g., for the purchase of seed, fertilisers, implements, etc., and sells his produce through the same or an allied co-operative channel, then the society has a better prospect of recovering its loans. The dealer (sowcar) supplies an integrated service, buying, selling, and lending. Must not the co-operative society do the same, if it is going to bring real economies to its members? The great advantage of co-operative buying and selling is that it brings the members into close and continuous contact. It gives him a chance of improving his products

in quality and selling it under the society's. It may grade eggs, grow special quality cotton, coffee, castor, linseed. Even if the act of co-operation goes no further than the local assembly of its members' products and their sale to a reliable dealer, that is something ; and it is on the local something that the other and bigger things can grow.

I have been greatly impressed both in the Mysore State and in Hyderabad State by the zeal with which the Government in pushing forward roads, markets, universities, hospitals, sugar factories and the like ; and the day, I presume, may come when the great municipalities will supervise the delivery of pure milk to the towns. Here is a chance for a form of co-operation. The dairies or factories may be owned by the State, by companies or by associated consumers. The farmers could be organised for the delivery of supplies to these. They should be paid by quality and poor suppliers should be expelled. This will give the growers a definite interest in quality ; and if the growers of a locality are grouped in a district contract, they will have a joint interest in the quality of products which their district provides. Better business can then be made the avenue to better farming.

#### *Municipal Enterprises.*

Well-conceived state or municipal enterprises may be made to possess many of the qualities of a co-operative consumers' organisation. The Belgians call these enterprises 'Regies co-operatives.' I have written the account of a great Canadian achievement in this sphere in my book 'Youth and Power.' It is the publicly owned Hydro-Electric Commission of Ontario, which is a voluntary federation of municipalities deriving power from the Central-Hydro-Electric Establishment which is in the hands of a public Commission. From this Government-appointed Commission, politics has been rigidly excluded. It is a small body of experts. It pays its way and pays handsomely and it has provided Ontario with light, heat and power at rates about half those of New York State, which derives its power from the same Niagara river, that supplies Western Ontario. All profits return eventually to the consuming public. Is there not here too a field to which India might contribute something ? In proportion as the old forms of co-operation are found to be defective, we must find new ones where the co-operative essence, which is group effort with a view to common enjoyment, may prevail."

### Dr. Fay in Coorg.

Dr. C. R. Fay, M.A , D.Sc., the Chairman of the Horace Plunket Foundation, London, who recently opened the Mysore Provincial Co-operative Conference, was here on a short visit for three days *en route* to Australia. On 11-10-35 he had a formal discussion with the Commissioner, Registrar of Co-operative Societies, a few other gazetted officers and two European Planters, regrading the marketing problems of coffee and oranges. He visited a few coffee and orange estates and on the 12th evening delivered a public lecture on "Some aspects of the world agricultural consumers' Co-operation" at the local High School, when Mr. G. S. Bozman I.C.S., Commissioner of Coorg, presided. The elite of the town including high officials were present.

The great co-operator began with his simple definition of the word 'Co-operation' and said that co-operation meant nothing but working together for the common enjoyment of all those who joined together. He said that co-operation was essentially a movement of the poor and the weak. He then traced the history of the great movement from the economic upheaval of the Industrial Revolution in the 18th century, the efforts made by the 28 poor flannel handloom weavers of Rochdale in 1844, who were driven to the necessity of making a bold venture of trading with a small capital of one pound and how that parent society had developed in a few years, bringing within its fold one-fifth of the population of European countries. The attention of the audience was then drawn to the steady progress of the movement in organising federal societies of the type of the co-operative wholesale societies (popularly known in England as C. W. S.) with huge banking and insurance branches, undertaking also on large scale the production and distribution work, involving a turnover of millions of pounds. He laid great stress on the working of the English and Scottish joint Co-operative Wholesale Society, which owns 25,000 acres of tea estates in South India, Ceylon and Assam. It was a pleasant surprise to hear from him that the biggest shop in London was owned by the London Co-operative Society. He explained at great length the Rochdale principles of co-operative trading, namely, dividend on purchases, fixed rate of interest on capital, democratic control, strictly cash system of trading and lastly complete neutrality in religion and politics.

He then gave instances of the California citrus growers' co-operative association and the great co-operative house building societies of Canada. He exhorted the Coorg orange garden-owners to form organisations similar to those in California and derive the utmost benefit of co-operative trading. He paid a great tribute to the two novel types of co-operative societies of Coorg.—the anti-lantana and anti-malarial. Lastly, he emphasised the need for organised credit for the agriculturists and said that their economic salvation lay in their resorting to better farming and better business. He commended the formation of co-operative stores and loan and sale societies in suitable centres, strictly adhering to the three principles of loyalty, shrewdness and determination.

At the conclusion of the lecture there was a lively discussion in which Messrs. I. C. Subbayya, M.A., B.L., M.L.C., M. M. Belliappa and others took part. With a vote of thanks proposed by Mr. K. Chengappa, Registrar of Co-operative Societies, the pleasant function came to a close.

*(From a Correspondent.)*

## **The Erode Co-operative House Mortgage Bank, Limited.**

**(Formerly The Erode Co-operative Building Society, Ltd.  
(Estd. 1924.)**

The place for safe investment of Long Term Funds—  
Secured by First Class First Mortgage outstandings and  
Assets of the Bank—of special advantage and convenience  
to Government officials and employees.

**Fixed Deposits for 10 years at  $5\frac{1}{2}$  % per annum required.  
Interest payable half-yearly.**

*Particulars from the Secretary,*

**E. S. GANAPATI AIYAR, B.A., B.L.,**  
*President.*

## Conferences.

### MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE.

The Twenty-second Mysore Provincial Co-operative Conference met as usual at Mysore during the Dasara, the dates this year being the 4th, 5th and 6th October. Among others it was attended by Sir Mirza Ismail, Sir Charles Todhunter, Mr. C. Y. Chintamani of Allahabad and many high officials of the State.

Two distinctive features of this year's conference were that it was opened by Dr. C. R. Fay, President of the Horace Plunkett Foundation, London, and a well known authority on Co-operation, and that it was presided over for the first time by a non-official co-operator of the State, Mr. A. Krishna Rao, President of the Mysore City Co-operative Bank. The delegates and visitors were welcomed by Mr. S. Venkatakrishnayya, President of the Mysore Propagandist Institute, under whose auspices the Conference was held.

In doing so he gave expression to the happiness felt by the co-operators of the State as well as others at the complete recovery of His Highness the Maharaja from his recent illness. He felt gratified that notwithstanding the continued depression of the last six years the movement had fairly progressed in the State. Though there was a decrease in the number of societies, in membership and in deposits, there was an increase however in the working capital, profits and reserve fund. Industrial societies had fared badly, it was true, and not much progress had been made by agricultural non-credit societies. But the Land Mortgage Banks and Building Societies had made a notable advance. The latter had received special help from Government. "The Government have very recently granted a loan of Rs. 1½ lakhs to the Bangalore City Co-operative Housing Society, which has prepared a scheme for the formation of a Co-operative Colony for the poorer and lower middle classes and another sum of Rs. 1½ lakhs to the Apex Bank for financing other housing societies in the State." He appreciated the policy pursued by the Registrar of vigorous consolidation and rectification conjointly with cautious expansion; the appointment of official liquidators; the valuable co-operation given by the department to the Apex Bank and other organisations in the recovery of overdues; and the great help which the present Registrar, Mr. M. G. Mekhri, had given in pushing forward the construction of the Co-operators' Home in Mysore City. Lastly, he thanked the Government for appointing a Co-operative Enquiry Committee with Diwan Bahadur K. S. Chandrasekhara Aiyar as its President. He then requested Dr. Fay to open the Conference. The latter's admirable speech is published elsewhere.\*

\*Please see pages 245 to 248.



The presidential address of Mr. Krishna Rao was not marked by the spirit of complacency which was evident in the welcome address of Mr. Venkatakrishnayya. Though Mr. Krishna Rao was aware that the progress made by Mysore was comparable with that of British Indian provinces and other Indian States, he felt that serious mistakes had been committed which should be rectified. Education and propaganda as regards the nature and objects of co-operation had not preceded the organisation of societies. Government should not have been content with establishing a hierarchy to administer the Co-operative Regulation but should have spent a sufficient amount of money on education and propaganda. From the beginning the movement was not viewed as a form of business requiring special qualifications for its management, but rather as a form of philanthropic enterprise that people with mere good intentions and a large heart could work successfully. "The time has come," said he "for emphasising that co-operation is distinct from philanthropy." The provision of long term credit for agriculturists was very urgent, land mortgage banks should be started more rapidly than at present and the maximum period for the repayment of their loans should be raised from 25 to 40 years, as already the proportion of overdues in these banks had risen higher than 50 per cent. "The price of land has fallen so low that in many cases even if all their lands are sold the villagers are not able to free themselves from the burden of debt. Almost all creditors realise this and especially after the extension of the Agriculturists Relief Regulation to the whole State they have given up all hope of recovering even the principal amount advanced. In a situation of this kind it is necessary that some measures must be adopted towards debt conciliation. The debts due should be moderated and the amount so moderated should be advanced on proper and adequate security by the land mortgage societies and recovered in instalments extending over a sufficiently long period." For promoting the goal of agricultural co-operation, which is 'better farming, better business, better life' the Departments of Agriculture, Industries, Commerce and Co-operation should co-ordinate their efforts in a programme of rural reconstruction. Handloom weaving and sericulture being the two most important cottage industries of the State, he urged that in the immediate future separate provincial co-operative societies should be organised to promote them, adequately financed and helped by the State until they could stand on their own legs.

Regarding urban banks, he said that the policy of the Government and of the Department should be different from what it was towards rural societies. "It is unfortunate that in working these urban banks methods which are conducive to the welfare of only rural credit societies are being mechanically adopted though the two classes of societies are entirely different." He deplored that the turmoil of keenly contested

elections was driving experienced and ardent co-operators from the managing committees of the urban banks and lowering their efficiency. He also advocated the imposition of some restrictions on the undefined power of the general body to override the decisions of the managing committee, taken by the latter in accordance with the rules of the society. Another evil prevalent in urban banks referred to by him was the same person being a member of several societies and borrowing from all of them. If this evil could not be controlled by the societies themselves, he would welcome a Rule being framed for the purpose by the Government under the Regulation. Whatever justification there might have been in early days for the encouragement of communal and ward societies in urban areas, he found them only conducive to inefficiency at present and would advocate a change of policy towards them. In order to promote thrift among members he would make the holding of a Provident Fund Board an obligatory condition of membership.

Among the other suggestions made by Mr. Krishna Rao in his address were the pooling of orders for important articles by the store societies in Bangalore and Mysore; the construction and sale of houses on suitable terms by building societies instead of their giving loans to members for building purposes as the latter practice usually landed them in difficulties; the starting of a Co-operative Training Institute for the training of workers; and the strengthening of the finances of the Mysore Co-operative Institute by a liberal grant from Government and by at least the prosperous co-operative societies contributing a definite percentage of their profits for its efficient maintenance.

The following resolutions were passed at the Conference :—

1. That this Conference begs most respectfully to tender its felicitations to His Highness the Maharaja on His complete restoration to health and humbly begs to convey its profound sense of loyalty and devotion to His Person and Throne.

2. That all co-operative societies be requested to deal preferably in Indian-made goods.

3. That the system of credit sales now prevalent in co-operative stores is detrimental to the consumers' movement and it should be replaced by cash sales as early as practicable, and as a first step every store society do restrict its credit sales to the members to the extent of their assets in the society.

4. That a Central Co-operative Wholesale Society be started.

5. That the Government be requested to issue loans to the house-building co-operative societies at not more than 4 per cent interest through the Apex Bank, the latter to charge not more than  $\frac{1}{2}$  per cent in excess to cover working expenses.

## THE MADRAS JOURNAL OF CO-OPERATION

6. That Section 33 and Section 47 of the Mysore Co-operative Societies Regulation be amended so as to empower the Registrar, in suitable cases, to permit co-operative societies to set apart 20 per cent of the net profits for the Reserve Fund and to utilise the remaining 5 per cent for co-operative propaganda.

7. That with a view to enforce thrift among the members a system of compulsory Provident Fund co-terminous with membership be introduced in all urban co-operative societies of limited liability and that the societies be prohibited from granting loans on the security of such fund.

8. That the Government be requested to introduce Co-operation as one of the subjects of study in all Middle, High and Normal Schools.

9. That Co-operative Training Classes be started in all the District Headquarters and that the employees of all co-operative societies be compelled to undergo training in Co-operation, Banking, Accountancy etc.

10. That as doubts have been raised with regard to the liability of granting advances to non-member depositors on the security of their deposits, this Conference requests the Government either to amend Section 29 of the Mysore Co-operative Societies Regulation on the lines of the Madras Co-operative Societies Act, 1932, or to exempt by notification such transactions from the operation of Section 29—(1) of the Regulation.

11. That the Mysore Co-operative Institute be requested to maintain a panel of auditors with the approval of the Registrar for the audit of Co-operative Societies' accounts.

12. That with a view to enlist the sympathy and services of non-official men and women for the co-operative movement the system of Honorary Organisers be revived.

13. That Honorary Assistant Registrars and Inspectors from among non-official men and women be appointed.

14. That the Government be requested to constitute a Marketing Board with a Marketing Officer for the purpose of surveying marketing conditions and helping in the co-operative marketing of agricultural produce and in the economic development of those branches of agriculture likely to be most remunerative.

15. That this Conference requests that the Government may be pleased to grant the following concessions to co-operative societies:—

- (a) Exemption from Stamp Duty;
- (b) " " Court Fees;
- (c) " " Registration Fees;
- (d) " " Income and Super Taxes;
- (e) " " Special Notice Registrar Fees;
- (f) " " Record of Rights Fees;
- and (g) " " Municipal Tax on Societies' Buildings.

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16. That this Conference considers it necessary that Co-operative Land Mortgage Institutions should undertake the business of granting short term loans for better cultivation of land or for current agricultural operations; provided that the amount of loans to be granted to any one individual member does not exceed Rs. 250 and that no such loans are granted except to a member who has been previously granted a long term loan for the redemption of prior debts on the mortgage of his agricultural land and whose mortgage is subsisting.

17. That the present practice of recovering interest on loans in advance be limited to a period not exceeding of 6 months.

18. That the Government be requested to establish a special branch of the Co-operative Department for speedy execution of decrees of co-operative societies, the cost being largely met from process fees etc.

19. That the amounts realised towards decretal dues from time to time by co-operative societies be kept in suspense and appropriation of the same towards principal, ordinary interest and penal interest be made only in the final stage when the decree is fully satisfied or when it is declared that no further recovery is possible.

20. That this Conference urges upon the Government and the co-operators the necessity of starting a Hand-loom Weavers' Co-operative Central Society for the purpose of providing continuous employment, technical advice, cheap credit for purchase of yarn etc., and marketing facilities.

## PATNA CONFERENCE—RESOLUTIONS.

**Resolutions passed at the Meeting of the All-India Provincial Co-operative Banks Association held at Patna on 1st September 1935.**

### I

#### *Condolence.*

“This conference places on record their deep appreciation of the services rendered by Rai Bahadur Jamini Mohan Mitra, late Registrar of Co-operative Societies, Bengal, to the Co-operative Movement in the country and tender their condolences to the bereaved family.”

### II

#### *Reduction of Overdues.*

“This conference recommends that the following among other steps may be taken to reduce overdues in societies :

(a) 1. Improving the machinery for collection by persuasion as far as possible and creating special machinery for the execution of awards and orders of liquidators.

2. Writing off the whole of the penal interest charged to the members on overdue loans and where possible to reduce even the normal

rate of interest on overdue loans so as not to exceed six per cent, or in any case the rate of interest charged by the central bank to the societies. Charging of penal interest should be done away with in all the provinces.

3. Giving extensions in all deserving cases after an examination of individual loans and where adequate security is forthcoming, the period of extension being fixed with reference to the repaying capacity of the members in each case.

4. Bringing down the general rate of interest on new and renewed loans.

5. Making provision for the advance of fresh finance to societies which show good management, though their loans may be overdue to the central banks to some extent.

6. Where these steps result in the central banks giving extension to societies and the Provincial Bank giving extension to the central banks in regard to overdue loans in the societies which are placed on a new footing, the Provincial and Central Banks should give such extensions.

(b) Where a scheme of extensions outlined above requires long term funds and the extensions are for more than five years, the Provincial Banks may float uncovered debentures, the debenture-holders ranking *pari passu* with other creditors, to attract the requisite amount of long term money and to finance central banks whenever need arises so as to enable them to return their short term deposits which may be involved in long term extensions to societies, the depositors being offered the option of taking the debentures in lieu of the fixed deposit receipts or taking the money.

(c) In provinces like Bihar and Orissa, where the conditions require special treatment, this conference is of opinion that the Provincial Government should render financial assistance to the Provincial Bank either by way of granting a loan of the long term capital necessary for the purpose or by guaranteeing the principal and interest on the debentures to be issued by the Provincial Bank for the purpose."

### III

#### *Marketing of Agricultural Produce.*

1. "Resolved that in order to improve the financial position of the agriculturists, attempts be made to organise proper co-operative marketing societies and worked with the aid of co-operative banks.

2. That out of the Government of India's grant for improvement of marketing or from its own funds an adequate sum be set apart by every Provincial Government for improvement of co-operative marketing and be placed in the hands of central or provincial co-operative institutions in suitable areas where there are facilities for introduction of co-operative marketing.

## CONFERENCES

3. That Provincial Organisations be requested to frame their own schemes regarding the co-operative marketing of agricultural produce.

4. In areas where there is scope for successfully organising co-operative marketing of particular crops either societies existing for the purpose or sale societies to be newly started should be helped by financial grants from the Provincial and Central Banks in whose area the society is situated to enable the society to employ trained and expert staff, and to secure storage accommodation and like purposes. If such assistance is rendered, many of the sale societies which are now languishing for want of proper staff and finance can maintain a well-equipped establishment and work better.

5. Where proper storage accommodation is secured and the sale society can obtain effective custody of the produce and can insure it against fire, theft and other risks, documents of title to such goods which are backed up by tangible security will become available on the strength of which credit can be easily obtained from co-operative banks. The recommendations of the Indian Central Banking Enquiry Committee in this respect may be adopted by the co-operative institutions."

### IV

#### *Regulation of Financial Policies etc.*

"This conference is of opinion that the regulation of financial policies such as fixation of borrowing and lending rates, investment of surplus funds and allied matters should be centralised in the Provincial Co-operative Banks and that the regulation of the financial working of the primary societies should be similarly centralised in the central banks; provided that nothing in this resolution shall be deemed to vest the Provincial or Central Banks with any administrative control over or interference with the internal management of their affiliated societies."

"Resolved to adopt the proposals contained in the note circulated by the President." (The Note is on the separation of long-term credit from short-term credit in the existing co-operative banks.)

(Note Omitted—Ed.)

### VI

#### *Indian Co-operative Review.*

"Resolved to make a grant of Rs. 1,000 to the All-India Co-operative Institutes' Association to meet the expenses of the conduct of the *Indian Co-operative Review* for the year 1936."

**Resolutions passed by the Standing Committee of the All-India Co-operative Institutes' Association at its meeting held at Patna on 1st September 1935.**

*Debt Conciliation.*

1. This Conference suggests the following methods by which co-operators and co-operative societies can help the debt conciliation boards :—

(a) Co-operators know the economic conditions of the people, particularly the members of co-operative societies in particular areas. When the Government wants to select suitable areas for introducing the experiment of conciliation boards, co-operators can help the Government in this task by their knowledge.

(b) Co-operators can help the conciliation boards by advice and assistance. Where they are trusted in the villages they can give valuable assistance to the board in arriving at a reasonable amount and method of composition in inducing parties to agree upon it.

(c) Co-operators can guide societies in possible methods of debt conciliation with their own member debtors in order to set an example to private creditors.

(d) Co-operators may encourage debtors, who are not plainly insolvent, to join societies. They can also help in the formation of societies where none exist and where these societies can usefully extend credit to debtors.

(e) It is possible that managing committees of good credit societies may be employed in bringing together debtors and creditors, whose case is before a conciliation board, and in inducing the creditors to compound their debt for a reasonable figure.

(f) If members of co-operative societies bring their debts for conciliation before the boards and if they have not exhausted the limit of their credit, societies will of course be able to advance them money upto the maximum credit limit.

(g) If debt conciliation boards are to be successful, they must work in close conjunction with Co-operative Land Mortgage Banks. This system has been tried in the Central Provinces. It has been found by experience that the debt conciliation boards without the adjunct of the Land Mortgage Banks, are not a very effective means of providing the necessary relief either to the agriculturist or to the creditor who is prepared to compromise his claim. Therefore the co-operative movement can help the debt conciliation boards by the formation of the Land Mortgage Banks.

*Productive and Distributive Societies.*

2. " Resolved that in order to bring about a balanced national economy in India it is desirable to organise co-operative societies for the production and distribution of commodities of general consumption."

## CONFERENCES

### *Co-operation and Women.*

3. "This conference is of opinion that there is a great need of spreading the co-operative movement among women. Therefore it is resolved that the Governments of various provinces and States in India be requested to appoint lady organisers for taking up this work and also open classes for training women workers."

### *Co-operative Education.*

4. (a) This conference resolves that steps be taken by co-operators to put co-operative education in India on a sound and satisfactory basis and in order to do so, the following scheme is circulated to the several Provincial Institutes and Provincial Banks for their opinion and the subject will be brought up at their next meeting.

(i) A Central Institution for research and higher studies in co-operation for the whole of India somewhat on the lines of the Horace Plunkett Foundation be established in a suitable University centre in India.

(ii) A fully equipped provincial college of co-operation be established in each province with a 2 or 3 years' course.

(iii) Training institutes with two sections, one for the training of higher staff of provincial and central institutions and the other for the training of lower staff of societies be established in each province, the number of such institutions and other details of their constitutions depending upon the requirements of each province.

(iv) Organisation of centres for the education of the members of societies.

(v) Starting of special institutions for the education and training of women co operators.

(vi) The syllabuses for the studies in each of these institutions and the estimated expenditure thereon be prepared by the President and the Secretaries and circulated along with the scheme in inviting the opinions of the Provincial organisations.

(b) This conference regrets to notice a tendency on the part of the Provincial Governments to officialise the agencies for the imparting of Co-operative Education and is emphatically of opinion that such a step will prove highly detrimental to the movement. The conference therefore, urges on the Government of India and the Provincial Governments the need to arrange for co-operative education being imparted through non-official co-operative organisations and for making financial grants to these institutions for carrying out the programme of co-operative education."

### *Rural Uplift Grant.*

5. "This meeting regrets that the Provincial Governments have not consulted the Provincial Co-operative Institutions in their respective



provinces with regard to the allocation of funds for Rural Uplift and requests the Governments in future to consult them in the matter of allocation of such funds and to ensure that as much money as possible is spent through co-operative organisations."

*Indian Co-operative Review.*

6. (a) "Resolved to continue the publication of "the Indian Co-operative Review" for a further period of two years at Madras under the editorship of Mr. V. Ramadas Pantulu.

(b) . . . . .

(c) The Indian Provincial Co-operative Banks' Association is requested to make a grant of Rs. 1,000 to meet the expenses of the conduct of the Review for the year 1936."

*Publications.*

7. "Resolved that 'Co-operation in the Punjab' by Sheikh Ata Ullah, M.A., be published under the auspices of the All India Co-operative Institutes' Association. A foreward may be added to the book to the effect that the Association does not hold itself responsible for the views expressed by the author."

8. "Resolved that a scheme for the second volume of 'Co-operation in India' be prepared and circulated among the members of the Standing Committee for opinion and brought up before the next meeting."

*Reserve Bank and Directors.*

9. (a) "Resolved that the Government of India and the Provincial Governments be requested that at least one Director on the Central Board and also on the Local Boards of the Reserve Bank of India should be a representative of the Co-operative Movement. He should be appointed with the consultation of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association."

(b) "Resolved that concerted action should be taken by the Provincial organisations with the co-operation of Central and other Banks within the area of each register of the Reserve Bank to have experienced co-operators elected to the Boards of Directors of the Reserve Bank."

*Marketing Boards*

10. "Resolved that the Government of India, the Provincial Governments and the Governments of Indian States be requested to appoint co-operators on their Marketing Boards."

*Expansion of Co-operative Movement.*

11. "Resolved that the Provincial Governments and the Governments of the Indian States be requested to spend more money on the co-operative movement."

## CONFERENCES

### *Co-operative Societies and Sphere of Operation.*

12. "Resolved that the Government of India be requested to expedite the passage of the Bill to supplement the Law relating to Co-operative Societies, providing for the registration as co-operative societies of societies whose area of operation extends to more than one Province."

### *Publication of Annual Reports.*

13. "The Annual Reports on the working of Co-operative Societies in the various Provinces and States in India are published very late and therefore lose much of their value. Resolved that the Governments of the Provinces and States be requested to publish these reports within a reasonable time."

### *Next Session.*

14. (a) "Resolved that the next All-India Co-operative Conference be held at Bangalore in Easter 1936."

(b) "Resolved that the next meeting of the Standing Committees be held at Hyderabad (Deccan) in X'mas, 1935."

### *Co-operative Societies in Indian States and Income-tax.*

15. "Resolved that Co-operative Institutions registered and working in Indian States should be exempted from income-tax on earnings realized by them in British India."

## THE INDIAN CO-OPERATIVE REVIEW

(Journal of the All India Co-operative Institutes' Association)

### Published Quarterly

*January, April, July and October*

*Edited by V. RAMADAS PANTULU.*

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## Recent Utterances.

Mr. Ramadas Pantulu speaking in a series of talks on Co-operation arranged by the Y. M. C. A. at Madras, after describing the structure of the co-operative credit organisation and the construction and work of the primary society, the central bank and the provincial bank, said :—

### *Financing of the Co-operative Movement.*

The movement derives its finance from the share capital and thrift deposits contributed by the members, deposits from non-members and loans from institutions and the Government. The idea of collecting share capital is two fold. From the stand point of the member, it is intended to enable him to accumulate his savings and invest them in his own co-operative organisation. From the standpoint of the society it is intended to help the society to build up its own capital. But in practice, the members who contribute share capital, have not derived much economic benefit from it. The shares in the co-operative credit societies are non-withdrawable and they do not help the member to rely on them in times of economic distress; nor do these shares serve any definite purpose in assessing the credit worthiness of the member, while his maximum credit is primarily based on his so called net assets. In the primary societies, the thrift deposits of members are negligible. In regard to the absence of thrift on the part of the agriculturist, I feel that the charge is exaggerated. While some of them may be imprudent and thriftless, the vast majority of them have no means to save and have to live on insufficient income and borrow not because they can but because they must. So, it is no wonder that the members of primary societies are unable to find their own capital for the financing of the Movement. Loans from the State also constitute a very small fraction of the resources of the co-operative credit societies. So, the bulk of the finance is derived by deposits from non-members and loans from the central and provincial banks, which attract large deposits from the surplus wealth of the urban population and lend them out to the primary societies. At present, there are adequate funds in the movement. The difficulty of the co-operative credit movement to-day is not absence of funds but the means of utilising even the funds which the movement possesses. The working capital of the co-operative credit societies in this province is a little over ten crores of rupees and is composed of the following items: share capital of societies and banks Rs. 179 lakhs, reserve fund Rs. 144 lakhs, deposits Rs. 665 lakhs and loans from Government Rs. 25.5 lakhs. It will be thus seen that 32 per cent of the total working capital is the owned capital of the movement and the rest borrowed. Out of this sum of Rs.  $10\frac{1}{8}$  crores only  $6\frac{1}{4}$  crores are lent

out to the societies. There is a surplus of about 4 crores which is invested outside the movement in Government Securities and other modes.

The bulk of the outstanding loans in the societies have become frozen assets of the societies and so fresh loans are not given to any large extent. This is the most distressing feature of co-operative finance in India to-day. But I must say that there is no fear about the ultimate safety of our investments in the societies and that no creditors or depositors will lose their money. Our assets are ample to meet our liabilities and no co-operative bank has failed to meet its commitments even in the days of the economic depression.

It must be admitted that the partial failure of the co-operative credit movement is undoubtedly due to the mistakes we have committed in the past in regard to our methods of finance. Inelasticity, dilatoriness and under-financing or over-financing have been the weak points in our finance. The methods adopted by the co-operative societies in lending are too rigid and too formal to suit the simple requirements of a villager and very often a loan applied for to meet the urgency of a seasonal expenditure is not disbursed until long after the necessity has ceased. Loans were granted primarily on the basis of the value of the net assets as disclosed by what are called property statements and not on the basis of the earning and repaying capacity of the members. This has resulted in members, the value of whose property is small, though they might be thrifty and honest, being under-financed because their maximum borrowing power is fixed at a low figure. Men with larger assets were given heavy loans, which were not required for productive purposes and which were put to wasteful and extravagant uses. Thus under-finance and over-lending were prevalent side by side in the societies to the great economic disadvantage of both the poor and the rich.

Another sad mistake which the financiers who have been in charge of the destinies of the co-operative movement committed was the mixing up of loans required for various purposes and dispensing short, intermediate and long term loans indiscriminately to members. Co-operative opinion has now crystallised round the view-point that these three different forms of loans should be distinguished and that different types of co-operative organisations are required to dispense short and intermediate term credit on the one hand and long term credit on the other. The practice of dispensing long term loans through co-operative credit societies has now to a large extent been given up in this province, though it is still practised in other provinces. We, in this province, have a system of land mortgage banks to dispense long term loans. These banks, which dispense long term loans, derive their finance in a very different manner from that in which the ordinary credit societies, the central

banks and the provincial banks do. As deposits and loans for short term cannot be utilised for long term loans, land mortgage banks issue long term debentures corresponding with the period of the loans to be disbursed. We are now able to get money in this province for 20 years at  $3\frac{1}{2}$  per cent in these debentures, the principal of and interest on which are guaranteed by the Local Government.

We have now come to an understanding that while the short and intermediate term loans disbursed by the ordinary credit societies should serve to satisfy the seasonal and current needs of the borrowers, the long term loans disbursed by co-operative land mortgage banks will be primarily utilised for discharge of prior debts or for effecting permanent improvements to lands. But the period of repayment must be enhanced to 30 or 40 years and the rate of interest charged to the ultimate borrowers should be still further reduced. It is also difficult to maintain that we have pursued a progressive policy even in regard to the rates of interest charged to the agriculturists. As matters now stand, the bulk of the outstanding loans in our societies which are overdue carry an interest of  $12\frac{1}{2}$  per cent. My impression is that out of the  $6\frac{1}{2}$  crores owned by the members about Rs. 5 crores still carry that high rate which is not more humane than that charged by the average much abused moneylender. So, I am surprised at the suggestion that schemes of debt conciliation should not be applied to co-operative societies. Co-operative debts must be conciliated like other debts.

The Government also have been helping the agriculturists to some extent by loans under the Agricultural Loans Act and the Land Improvement Loans Act. The Government have recently amended the Agricultural Loans Act so as to permit lending to the agriculturists funds for the discharge of prior debts and the Act is about to be put into operation in two or three select districts. It is the intention of the Government to couple the operation of this Act with the scheme of debt conciliation and to lend to agriculturists who conciliate their debts with the creditors in order to satisfy the latter. The experiment will be watched with great interest. The co-operative credit organisations too can take their legitimate share, to a small extent, in the promotion of these objects.

Co-operative finance is subject to very serious limitations. Investment of funds in agricultural credit societies is a very risky mode of investment. From the standpoint of banking, the distribution of funds among thousands of small cultivators "thinning the stream of money sending it in rills over a broad surface, so that irrigation may be perfect and reaching every root to be watered," as Mr. Wolf puts it, is a very difficult operation. Agriculture is a precarious industry and the repaying capacity of these numerous small borrowers is adversely affected by every factor,

physical and monetary, which affects either production or the price of products. Unless there is a market for the improved and larger crop, the additional cost incurred in raising it will result in actual loss than gain. Notwithstanding this and other risks, co-operative banks are expected to be able to shoulder this extraordinary financial responsibility on the assumption that the members of primary societies will be true to their joint responsibility and mutual guarantee to discharge their loans to the societies, and the panchayats of village societies will function efficiently in the matter of distribution and collection of loans to their members on sound business lines. With the increasing migration of leisured and wealthy men from the villages to towns, it is becoming more and more difficult to find efficient and reliable men to constitute these panchayats. So, to the extent that these fundamental assumptions have failed, the efficacy of co-operative credit has failed. Any weakness at the foundation naturally threatens to affect the whole structure of the co-operative credit organisation.

Those who have still faith in the Movement say that just at present it is "dry docked for repair" and will soon be put to sea again, while those who have lost faith in it say it is "thrown on the scrap-heap as it has proved to be utterly unseaworthy." I belong to the former class. Let us ascertain precisely what is wrong with it to-day. It is best to give it in the words of our informed critics who wish to help us out of our difficulties if they can. No other opinion is worth quoting. The Managing Governor of the Imperial Bank, giving evidence before the Central Banking Enquiry Committee in 1930 said with regard to our credit institutions: "The fundamental principle of co-operation is lacking, overdues are highly excessive, audit is defective and control is inefficient. This is an impartial condemnation of both the official and non-official wings of the Movement. The Royal Commission on Agriculture, while mentioning all the defects on which the Managing Governor of the Imperial Bank laid emphasis, added that the spirit of self-help is not as prominent as it should be if the Movement is to be a live force in the village" They have put it mildly for in some cases, "self-help" has alas now come to mean "help yourself with other people's money. But what does all this mean? It means that the fault lies not with co-operation but with co-operators. Schemes of structural or financial reconstruction of the co-operative movement will therefore bear no fruit until there is a mental and moral reconstruction among the co-operators themselves. The path to our success lies along Honesty, Knowledge and Faith. But for the cultivation of these virtues, the Movement must be allowed more freedom than it now enjoys. It is cramped and crippled under too much of official control. Dr. Warbasse dealing with co-operation in self-governing countries like the U. S. A. says that there can be no such thing as State controlled and administered co-operation and that it is a sort of protection that smothers. The late lamented "A.E." and Sir Horace Plunkett said much the same thing.

## Co-operation in Trichinopoly District.

### IMPRESSIONS OF A VISITOR.

Rao Bahadur A. Rajabadar Mudaliar one of the Secretaries of the Madras Provincial Co-operative Union, recently visited the Trichinopoly Town Bank and the District Urban Bank in the course of his propagandist tour. His notes on the societies are published below:—

#### *The Trichinopoly Town Bank.*

The Town Bank which was started about 22 years ago and which appeared to have had a bright career for a long time was very unfortunately wrecked a few years ago by indiscreet and irregular methods of administration which seriously affected the popularity of the Bank and shook the confidence of the investing public. Luckily, however, a strong Committee with the present President, M. R. Ry. Rao Saheb P. S. Sivagana Mudaliar Avl., and other prominent and influential citizens was formed in 1932 to restore strength and public confidence to the Bank.

I noticed that as many as 126 individuals were removed from membership during the last year and it was explained that this was due mainly to the practice of adjusting the entire share capital of a member to his loan dues when his loan is cleared. This obviously injurious practice which if continued would result in the gradual depletion of the members was followed under some erroneous impression of the rules. The power to make such adjustment is no doubt given to the Board by the rules, but it should have been exercised only in cases of absolute necessity where but for such adjustment the loan could not be recovered from the member. In a majority of the cases of such adjustment the members were said to possess the means to pay their loan dues and should have been required to pay them otherwise than by the adjustment of the share capital. The President and the Vice-President recognised the necessity for changing the present practice so as to limit it only to cases of real need and will it is hoped soon get a subsidiary rule passed by the Board to effect the change.

Unlike most Urban Banks this Bank had to borrow loans from the Central Bank to the extent of about Rs. 15,000 excluding the overdraft of Rs. 5,765. It has already deposits of various kinds placed by members and non-members to the extent of nearly Rs. 1,25,000. But there has not been a satisfactory flow of these deposits in recent years. I suggested the desirability of this Bank in a town like Trichy working with its own deposit receipts without the aid of a loan from the Central Bank and the President is alive to this desideratum.

## CO-OPERATION IN TRICHINOPOLY DISTRICT

The loans overdue from members amount to Rs. 74,620 for which decrees have been obtained for Rs. 68,557. The interest overdue is Rs. 36,199. There is no system of demanding repayments through an agent employed for the purpose, the Bank merely issuing notices of demand to the borrowing members and awaiting voluntary payment by them. There are obvious advantages in employing a competent subordinate with adequate security furnished by him to go round daily and not only demand the payment of overdue loans by members but also forewarn members of amounts falling due in the near future to help them to avoid default. Such agency is, I believe, employed in other Urban Banks and ought to prove very helpful in reducing the heavy overdues of this Bank. It should be possible by a readjustment of the scale of establishment to provide for such subordinate by whatever name the Bank may call him without any appreciable increase of the present cost of establishment. The President noted the suggestion.

More important than all other steps to revive this Bank and place it on a basis of growing strength is the appointment of a paid Secretary as most other Urban Banks have. The President, I was glad to find, had already been thinking of this and it is hoped that this most important step would not be delayed any longer.

The Bank was not maintaining the prescribed fluid resource for most days of July 1935, the deficiency ranging from Rs. 400 to Rs. 6,400. The President is taking steps to rectify this serious defect by obtaining an increased overdraft provision from the Trichinopoly Central Bank where it has invested no less than Rs. 42,609 as Reserve Fund and a share capital of Rs. 4,500.

### *Trichinopoly Co-operative Central Bank.*

I visited the Central Bank there with the kind courtesy of the Bank authorities and met the President, the Vice-President, the Secretary and the Executive Officer of the Bank, the Deputy Registrar very kindly introducing me to them.

My enquiries into the working of that Bank disclosed that in spite of the general depression and the fall in loan transactions the Bank maintained a thoroughly sound financial position. It had built up a Reserve Fund of about Rs. 3,70,000 besides a bad debt reserve of about Rs. 40,000 and a building fund of Rs. 98,000. Such position was evidently due to the individual element having equalled the society element in the original constitution of its management. This constitution was changed last year and the one recommended by the Townsend Committee which provided for societies double the strength for individuals was adopted, the present constitution having 14 for societies and 7 for individuals or a total strength of 21. It remains to be seen how



this change will affect the future working of the Bank. The Federation has been abolished and the Bank has taken power to control supervision of societies.

There are 14 unions several of which seem to work satisfactorily. Some two of them which are particularly unsatisfactory are expected to be suspended shortly and their societies taken over under the direct supervision of the Bank. Though the Executive Committee of the Bank has power to appoint transfer, fine, suspend and remove supervisors and to appoint also supervisor-managers of unions, the supervisors and managers are placed however under the immediate control of the unions who are empowered to censure, fine or suspend them for one month an appeal lying to the Bank in the case of suspension alone. This dual control may hamper the administration as the supervisors will not be free to bring to light the defects in the societies of the office bearers or their friends. The Deputy Registrar recognises this evil whose removal he thinks can be effected only by a gradual process as the unions would resent being deprived of any control over the above subordinates.

The overdues of societies to the Central Bank range from 12'43 per cent in Chinnadarapuram Union to 96'53 per cent in Udayarpalayam Union, excepting Lalgudi and Trichy Audit Unions which had no overdues in 1933-34. The Deputy Registrar is handling the unions and the societies tactfully and if the present line of improvement continues, the unions in general in the district should gradually become helpful instruments of the Bank for its efficient working.

There is a Manager appointed for every union from among the supervisors and he is given some inspection work also not far from the union head-quarters. The Bank has been able to make a liberal contribution to maintain the staff of supervisors and managers. My impression of the working of the movement in this district is that it is much more satisfactory than in several other Tamil districts that I have yet seen including my own district of Chingleput.

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## International Co-operators' Day.

Under the auspices of the Madras Provincial Co-operative Union the International Co-operators' Day was celebrated at Madras on Saturday the 2nd November 1935 in the premises of the Madras Provincial Co-operative Bank. Owing to the unavoidable absence of Dr. P. J. Thomas of the Madras University, Prof. M. Venkatarangaiya of the Andhra University presided over the celebrations. In his opening remarks Mr. Venkatarangaiya said that the burden of the indebtedness of the ryot could not be reduced unless the productive capacity of the land was increased and he pleaded therefore for a co-ordination of the various departments to bring about the desired result.

Then Mr. S. S. Rajapogalan moved the following resolution which reaffirmed the faith of the co-operators in the movement :

"On this Co-operative Day, the Co-operators of India reaffirm their unquenchable faith in the principles which lie at the base of their Movement and constitute its Ideals.

That its ranks should be open to all without hindrance of race, nationality, colour, or creed, is the elementary requirement and proof of its genuine character; That its control should be autonomous and its development unfettered, is of the essence of its existence; That it should substitute service to the community for the profit of the individual is at once the keystone of its economic organisation and its crowning virtue.

Co-operators hail with confidence the indisputable superiority of their economic methods, as demonstrated in the manner in which they have withstood the series of crises which have shattered the economic life during the past decade. They declare their conviction that the return of prosperity to mankind can be appreciably hastened, and definitely maintained, by the general application of the principles of our Co-operative Movement.

Co-operation Universal implies, and imposes, the removal of the many barriers to free intercourse between nations and people which have been set up, especially since the war, with such disastrous effect upon the unity and solidarity of the international family.

The co-operators of the world unite in proclaiming their will for peace and their demand for its accomplishment as the only reasonable basis of a civilised existence and the well-being of humanity."

Speeches were also made on the occasion by Messrs. K. C. Ramakrishnan, T. Adinarayana Chettiar, N. Satyanarayana, V. Ramadas Pantulu and S. K. Yegnanarayana Aiyar. Mr. Adinarayana Chettiar strongly objected to the recommendation contained in Mr. Sathianathan's report for the complete officialisation of the supervision of co-operative

societies in this province. Mr. Ramadas Pantulu observed that the co-operative movement should be popularised by means of incessant propaganda. The resolution was carried unanimously.

Mr. V. Venkatasubbaiya then proposed a vote of thanks to the chairman, after which the meeting terminated.

This Day was also celebrated all over the Presidency and in the neighbouring Indian States. We have received reports of the celebration from many centres and the local dailies have also published reports from many others. But lack of space prevents us from publishing these. We hope however to publish later some extracts from the speeches as space permits. We give below a list of important places and the institutions under whose auspices the celebrations were held in South India.

### A. Reports received in our office.

District.	Place.	By whom celebrated.
1. Anantapur ..	Hindupur ...	The Hindupur Co-op. Town Bank.
2. North Arcot.	Vellore ...	Co-op. Central Bank, Vellore.
3. Cuddapah ..	Cuddapah ...	Dt. Co-op. Central Bank, Cuddapah.
4. Chingleput ..	Conjeevaram.	Co-op. Central Bank, Conjeevaram.
5. Malabar ...	Calicut ...	The South India Co-op. Insurance Society, Calicut Branch.
6. Madura ..	Periakulam ...	Periakulam Co-op. Urban Bank, Periakulam.
7. Trichinopoly.	Lalgudi ...	Lalgudi Urban Bank.
8. Chingleput ...	Little Conjeevaram.	Little Conjeevaram Co-op. Urban Bank, Little Conjeevaram.
9. Tanjore	Manuargudi.	Manuargudi Co-op. Urban Bank, Manuargudi.

### B. Places mentioned in the Local Dailies.

Place.	Under the auspices of.
(a) <i>Indian States :</i>	
Bangalore (Mysore)...	Mysore Co-op. Institute, Bangalore.
Shimoga (Mysore) ...	Shimoga Co-op. Bank.
Trivandrum (Travancore).	Trivandrum Co-op. Central Bank.
Quilon ..	Taluk Co-op. Bank, Quilon.
Kottayam ..	Kottayam Co-op. Bank.
Trichur (Cochin) ...	Central Co-op. Institute, Trichur.
Hyderabad Deccan) ...	Central Co-op. Union, Hyderabad.
(b) <i>Maffusil Towns :</i>	
Salem ...	District Urban Bank, Salem.
Ellore ...	West Godavari Dt. Co-op. Central Bank, Ellore.
Madura ...	Madura-Ramnad Co-op. Central Bank, Madura.
Tenali ...	Guntur Dt. Co-op. Central Bank, Tenali.
Cuddalore ...	South Arcot Dt. Co-op. Central Bank.

## News and Notes.

Under the auspices of the Indukurpet Rural Reconstruction Centre, Nellore District, a conference of the Village Panchayats working in the area of the Centre was held on the 13th of October last under the presidency of Mr. V. Ramadas Pantulu. Mr. Woodhouse, Collector of the District, opened the conference. Mr. K. V. Raghavacharlu, Convenor of the Centre, read a report of its work from the time it was started in January 1929.

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At the conference of Industries Departments held recently at Delhi it was resolved that the present system of allotting grants to provinces on the basis of provincial expenditure and consumption of yarn was quite satisfactory, and that an exhibition of hand-loom machinery and of fabrics should be organised at Patna from the 4th to the 24th February 1936, including competitions for weavers, who are to be attracted from different provinces.

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"Co-operation not a tail to anybody's kite" is the heading of a leading article of a recent number of the *Co-operative Builder* which is published in the United States of America. It is an admirable phrase and should be freely employed by co-operators as an answer to political candidates who seek to win seats in the legislatures and local boards by using co-operative societies as convenient stepping stones, without really wanting to serve the co-operative movement or caring for its ideals.

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Miss A. Honora Enfield, one of the founders of the International Co-operative Womens' Guild and its secretary from 1921 to 1935, passed away at Paris on the 14th of August last. She devoted her life to various kinds of social work and latterly concentrated her energies on spreading the ideals of peace and co-operation. She was guided by the highest and purest idealism and showed a rare capacity for self-sacrifice. Personal considerations never entered her mind, it is said, and neither ambition nor material advantage ever influenced her actions in the least.

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During 1934-35 the membership of the Tirupati Co-operative Town Bank increased from 1,043 to 1,078, its deposits from Rs. 2'50 lakhs to Rs. 2'75 lakhs and the total working capital from Rs. 3'49 lakhs to Rs. 3'79 lakhs. The percentage of overdues to demand was 8'6 under principal and 3'7 under interest. The net profit earned during the year was Rs. 14,316-13 0. The reserve fund of the Bank amounts to more than Rs. 30,500, in addition to which it has a building fund of over

Rs. 8,000, a dividend equalisation fund of Rs. 2,500 and a bad debts reserve of about Rs. 2,000. In the audit order the reduction of the rate of interest on lendings to  $7\frac{1}{2}$  per cent is recommended.

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The Government of Mysore have appointed a Committee consisting of officials and non-officials with Diwan Bahadur K. S. Chandrasekhara Iyer, Retired Chief Justice of Mysore, as Chairman to make an enquiry into the present state of the co-operative movement in the State and report to the Government the changes which they think necessary for its better development. This is the second Committee which the Government have appointed after the inception of the movement in the State. The first Committee was appointed in the year 1920 with Sir Lallubhai Samaldas of Bombay as the Chairman and the progress of the movement in the State since that time was based mainly on the recommendations of that Committee.

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At the last meeting of the United Provinces Co-operative Union, Mr. Vishnu Sahay, I.C.S., Registrar of Co-operative Societies, who presided over the meeting, referred with pleasure to the improvement which had taken place in the condition of the societies during the last year and to the hopeful outlook which they now presented. He announced that besides a grant of Rs. 63,000 for co-operative education, they were promised by the Government of India a special grant of Rs. 10,000 for developing the ghee sale societies. Cotton sale societies in Hardoi district and cane supply societies all over the Provinces were making satisfactory progress, he said.

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The Krishna District Co-operative Bank, Masulipatam, has circulated its constituent societies not to accept local deposits without its approval. The Bank points out that in many cases the societies accept deposits and utilise them for issuing loans without due care, and when the time comes for returning the deposits they seek the help of the central bank. When a society applies for a loan from a central bank, the latter usually insists on being supplied particulars regarding the loans proposed to be given to members out of the applied loan. Where, however, a loan is applied for in order to repay a deposit received one or two years previously, it is obviously too late to ask for such particulars. But if the deposits are not returned in time the whole movement will lose credit. Hence the Bank has suggested a definite procedure to be followed in accepting local deposits.

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The Tinnevely District Co-operative Central Bank had at the end of the last co-operative year 715 shareholders including both individuals and societies, with a paid up share capital of Rs. 1,84,738. The total borrowings of the Bank during the year amounted to Rs. 9,70,345 which

was less than that of the previous year by Rs. 1,53,635. It disbursed loans during the year amounting to Rs. 2,26,377 and collected Rs. 2,44,238. Against a demand of Rs. 3,50,778 under principal and Rs. 38,459 under interest the balance at the end of the year amounted to Rs. 1,47,645 and Rs. 2,785 respectively. The percentage of balance under principal and interest was 42'1 and 7'2 respectively. The Bank carried Rs. 17,000 during the year to the Bad Debts Reserve which amounted at the end of the year to Rs. 51,000. The net profit of the Bank was Rs. 8,400-3-0. It is stated that the administrative section of the Bank with its Executive Officer carried on the work of supervision and rectification satisfactorily.

The Kouaseema Co-operative Central Bank in East Godavari district had 181 shareholders consisting of 61 individuals and 120 societies at the end of the last co-operative year. Even though the area of operations of the Bank is very limited, it made a net profit of Rs. 18,752-4-0, and that in spite of the present depression. The Bank had a share capital of Rs. 1,75,450 at the end of the year under review. It applied to the Registrar and the Madras Provincial Co-operative Bank to permit it to refund a portion of it, as so much share capital was not necessary for the present business of the Bank. But they did not give the permission. The lendings and recoveries amounted to Rs. 3,90,472 and Rs. 4,05,306 respectively. The percentage of balance to demand was 47'1 under principal and 2'7 under interest. Out of the profits earned during the year the Bank set apart a sum of Rs. 7,000 towards the reserve for bad debts, which stood at Rs. 38,000 at the end of the year.

At the end of the last co-operative year the Anantapur District Co-operative Central Bank had 135 individual shareholders and 414 society shareholders with a paid up share capital of Rs. 33,830 and Rs. 1,74,316-13-0 respectively. The total borrowings of the Bank increased from Rs. 12,82,828 at the beginning of the year to Rs. 13,17,288 at the end of the year. The Bank issued during the year loans amounting to Rs. 54,537 to individuals and Rs. 2,02,455 to societies, and recovered a sum of Rs. 2,23,422 on account of loans. Against a total demand of Rs. 10,44,221 under principal and Rs. 1,10,124 under interest, overdues amounted to Rs. 8,30,237 under principal and Rs. 28,918 under interest. The percentage of balance to demand worked out at 79'5 under principal and 26'3 under interest as against 80'4 and 16'7 at the end of the previous year. These high percentages are partly due to the famine conditions that prevailed in the district during the last two years. Exclusive of the amount carried to Bad Debt Reserve, the Bank made a net profit of Rs. 1,389-6-0 for the year under review.

The Agriculturists Relief Committee which was appointed by the Mysore Government submitted its report nearly ten months ago. Its main recommendations were: (1) the establishment of debt conciliation boards, (2) the extension of land mortgage banks, (3) a reduction in land revenue demand (4) the expansion of the co-operative movement and (5) the development of subsidiary rural industries. The Government have now passed orders on these recommendations. With regard to the scheme of debt conciliation the Government are of opinion that it may be started as an experimental measure and that the conciliated debts may be paid off by co-operative societies or land mortgage banks, and not by the State, either in cash or by issue of bonds. Regarding the reduction of land revenue the Government are prepared to give only a discriminating relief and not a general concession which is likely to result in a substantial loss of revenue to the State. As regards the starting of subsidiary industries the Government state that it is receiving the attention of the Department of Industries and that after its proposals are received by the Government, final orders will be passed. Other recommendations made by the Committee are accepted in toto.

\* \* \*

*University and Government support for the Co-operative Movement.* The University of Yenching, one of the foremost in North China, is to train a body of co-operative workers for service in the work of organising and supervising co-operative societies carried out under the auspices of the International Famine Relief Commission. Mr. Yu Yung-chih, Chief of the Rural Instruction Department, has been released from his duties for one year, during which he will lecture on Co-operation at the University and help to organise the programme of training for the workers mentioned. Further support for the Co-operative Movement is afforded by the China Foundation for the Promotion of Education and Culture, which will continue last year's subsidy of \$10,000 during the 1935-36 season. The subsidy will be used for the training of co-operative organisers for service in the interior. The first quarterly payment of \$2,500 was made on 24th July.—(*Co-operative News Service*).

\* \* \*

According to the law recently passed by the State Legislature of Wisconsin, U.S.A., co-operative marketing and consumers' co-operation must be taught in all State schools in Wisconsin from September 1st, 1935. The law, which was passed by the Senate of the State by fifteen votes to thirteen in August, states that co-operative marketing shall be taught in "every common school," that the State university, teachers' colleges, normal schools, and every public high school and vocational school "shall prescribe adequate and essential instruction in co-operative marketing and consumers' co-operation," and knowledge of co-operation shall be required for a certificate to teach economics, social studies or agriculture. The State Superintendent of Public Instruction, and the Dean of the College of Agriculture at the State University will prepare outlines and other text materials for guidance to teachers of these courses.

(*Producer.*)

# LIST OF SOCIETIES REGISTERED AND LIQUIDATED

## List of Societies Registered in September last.

Name.	District.
1. The Kulasekharapatnam Yadava Co-op. Society.	Tinnevely.
2. The Cheyyar Eraiyur Co-op. Credit Society ...	North Arcot.
3. The Tiruppathur Co-op. Crop Loan and Sale Society.	"
4. The Arkonam Co-op. Urban Bank ...	"
5. Moodabidri Pranthya Crop Loan & Sale Co-op. Society.	South Kanara.
6. The Rajahmundry Co-op. Crop Loan & Sale Society.	East Godavari.

## List of Societies whose Registration has been cancelled in September last.

Name of Society.	District.	Date of Cancellation.
Veeraselliapuram C. S.	... Ramnad	31-8-35.
Poolanbadi D. C. Society	... Trichinopoly	3-9-35.
Chattirakondan C. S.	... Tinnevely	
The Vagirampatti Adi Dravidas C. S.	... Salem	
Uthukottai Co-op. Supervising Union Ltd.	Chingleput	
Nainamalai Pallipatti Chucklers' C. S.	... Salem	4-9-35.
Dharmapuri Agl. Improvements C. S. Ltd.		
Laddivadi Depressed Class C. S.	...	
Harapanahalli L. C. Union	... Bellary	
Edaipattu C. S.	... South Arcot	5-9-35.
Muthanampalayam C. S.	... Coimbatore	6-9-35.
Kallipatti Venkatachalapathi C. S.	... Madura	8-9-35.
Madura Valayapatti C. S.	...	
Nachipalayam C. S.	... Coimbatore	
Meloalkkur C. S.	... South Arcot	11-9-35.
Emapalli Adi Dravidas C. S.	... Salem	12-9-35.
Suluva C. S.	... Bellary	14-9-35.
Adoni Govt. Servants' C. S. Ltd.	...	16-9-35.
Adoni Co-op. Building Society Ltd	...	
The Salem District Co-op. Servants' C. S. ...	Salem ...	
Tirukoilur Board High School Students' Co-op. Stores Ltd.	South Arcot ...	17-9-35.
Punnoor Sri Radhakrishna C. S.	... Nellore ...	
Ganeswarapet C. S.	... Guntur ...	19-9-35.
The Walajabad Co-op. Supervising Union.	Chingleput ...	20-9-35.
Trichinopoly Dt. Co-op. Audit Union	... Trichinopoly ...	24-9-35.
Tanalapalli C. S.	... West Godavari.	25-9-35.
Kalakad C. S.	... Tinnevely ...	"
Hosur Town Co-op. Bank Ltd.	... Salem ...	"
Tirusulam C. S.	... Chingleput ...	26-9-35.
Vissur C. S.	... " ...	"
Kondamangalam C. S.	... " ...	"



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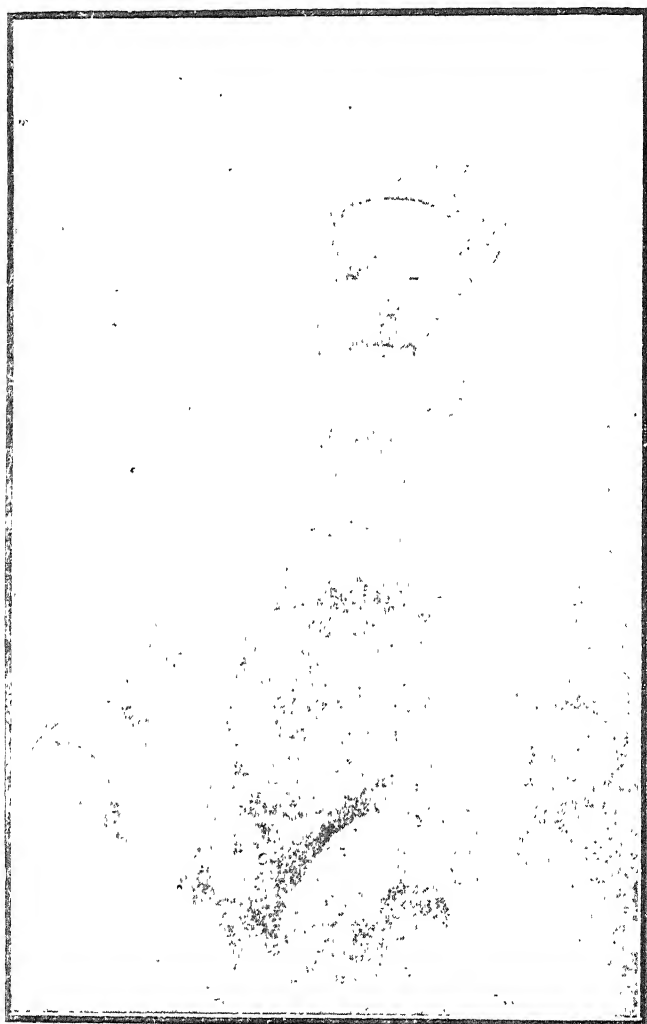
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The Late Mr. G. K. DEVADHAR, M.A., C. .E

# THE Madras Journal of Co-operation

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## Editorial Notes.

### The Late Mr. G. K. Devadhar.

The co-operative movement in India has suffered an irreparable loss by the death of Mr. G. K. Devadhar, C.I.E., at Bombay on the 17th November last. Mr. Devadhar was one of the three young men with whom the late Mr. G. K. Gokhale started thirty years ago the now well-known Servants of India Society, whose members pledge themselves to serve the country for life in a religious spirit, being content for the maintenance of themselves and their families with such provision as the Society is able to make. A born social worker, Mr. Devadhar chose the field of co-operation and the amelioration of women as his special spheres of activity. From the passing of the Co-operative Societies Act in 1904 upto his death he was one of the most devoted workers in the cause of co-operation. Quite early he organised the Hadapsar Co-operative Society near Poona and made it the best known society in the Deccan. He then started a number of Debt Redemption Societies at Bombay with the object of rescuing municipal employees and factory workers from the clutches of the professional money-lenders. Thrift and group life insurance were made the special features of these societies. They worked very well for some time, but later failed to come up to expectations as Mr. Devadhar was unable to give them the personal

attention that he gave in the earlier days. He was prominently connected with the Bombay Provincial Co-operative Institute of which he was Vice-President for a number of years and also with the Bombay Provincial Co-operative Bank of which he was a Director till the end. He visited Europe and studied the co-operative movement in England and Denmark. He took a keen interest in rural reconstruction, was the President of the Deccan Agricultural Association, started a rural reconstruction centre at Khed-Shivapur and looked after it, and convened several conferences for promoting rural welfare. During the Moplah rebellion of 1921 he organised relief for its victims on a large scale, and with the balance of funds collected for relief established the Malabar Reconstruction Trust, with the object of promoting friendly relations between the Moplahs and the others and of working for the welfare of the rural population by means of co-operative societies, child welfare centres, adult education etc. The grateful people of Malabar insisted on his name being associated with the Trust and persuaded him to be its President, which he was throughout. He was a member of the Mysore and Madras Co-operative Enquiry Committees and President of the Travancore Co-operative Enquiry Committee which published its report last year. At the request of the Government of Cochin he also conducted an enquiry into the state of the co-operative movement there, but ill-health and death overtook him before he could submit his report. He was a member of the Imperial Council of Agricultural Research where he did notable service to the cocoanut growers of the West Coast. He presided over many co-operative conferences, big and small, among them being the Madras and U. P. Provincial Conferences. He was thus one of the oldest and most active leaders of the co-operative movement in India, whose name deserves to be written in letters of gold in its history.

He was the head of the Servants of India Society from 1927 onwards. Inspired by his example, several younger members of that Society are devoting themselves to the spread of the co-operative movement and to rural welfare work in different parts of the country. The Poona Seva Sadan Society, which he founded 25 years ago jointly with Mrs. Ramabai Ranade, wife of the great Judge and reformer, and of which he was General Secretary throughout, is a monument of his genius, providing as it does vocational instruction in various lines and training in social service for women and girls, of whom nearly 2,000 are at present taking advantage of the facilities created

by the parent institution and its twenty branches. His life is a shining example in devotion to social service, which we wish should be followed widely by our young men.

### The Madras Provincial Co-operative Bank.

At the meeting of the Board of Directors of the Madras Provincial Co-operative Bank held on the 2nd November last, Mr. V. Ramadas Pantulu was re-elected President and Mr. K. Bhashyam Aiyangar Vice-President. This is the fourth term in succession for which Mr. Ramadas Pantulu has been chosen President. We congratulate the Directors on having done so unanimously. Not only does he hold a unique position in the co-operative movement in India, as President of both the All-India Provincial Banks' Association and the All-India Provincial Institutes' Association, but he also possesses courage coupled with caution, which quality is specially needed at present in the head of the highest co-operative financial institution of the province. The balance sheet of the Bank as on 30th June last shows that out of its resources amounting to about Rs. 190 lakhs, more than Rs. 142 lakhs was invested in Government securities and less than Rs. 32 lakhs was utilised by co-operative institutions. Vision and courage, no doubt tempered with caution born of experience, are needed for making the vast unused resources of the Bank fruitful in new fields of credit and non-credit co-operative activities. Mr. Ramadas Pantulu has been pointing out from time to time in his speeches and writings the most promising directions in which this could be done, such as the co-operative marketing of agricultural produce etc., and some spade work has also been done already. We are therefore glad that he has been given the opportunity to continue and develop that policy, and that he has the assistance and support of Mr. Bhashyam Aiyangar than whom a more ardent lover of *swadeshi* is not to be found either inside or outside the ranks of co-operators. In the Executive Committee there has been an almost complete change of personnel, the most notable accession being Mr. T. R. Venkatarama Sastri, C.I.E., and the most notable loss Diwan Bahadur T. A. Ramalingam Chettiar. But as a whole the Committee is as able and strong as any of its predecessors.

We take this opportunity to express our grateful thanks to the Bank for having given to the Provincial Co-operative Union its usual generous grant from the Common Good Fund to enable the latter to carry out its objects of education and propaganda and to continue the

several rural reconstruction centres, which are now recognised as a distinctive feature of the co-operative movement in our province. The institutions which in other provinces correspond to our Provincial Co-operative Union get liberal grants from their respective Governments to enable them to function efficiently; but here no such grants are made, and but for the support of the Provincial Bank there is no doubt that the Union's usefulness would have been very much curtailed. Some other deserving educational institutions like the Seva Sadan and the Ramakrishna Students' Home also are helped by the Bank from its Common Good Fund. We are not sure that other provincial banks have instituted the Common Good Fund. To them we should heartily commend the example of the Madras Provincial Co-operative Bank.

### The Sixth Land Mortgage Banks' Conference.

We have every reason to be gratified with the success of our land mortgage banks, in respect of which our province is admittedly the leading one in the country. Co-operators all over the country will therefore no doubt read with special interest the admirable speeches of Sir M. Ramachandra Rao and the Chief Minister, delivered on the occasion of the recent conference of land mortgage banks and published elsewhere in this number. Sir Ramachandra Rao—whom the conference cheered on having recovered sufficiently from his recent serious illness to be able to be in their midst but whose speech had to be read by Diwan Bahadur T. A. Ramalingam Chettiar—explained that the debentures of the Central Land Mortgage Bank were steadily increasing in popularity, that at present the value of those in force was more than Rs. 50 lakhs, that well established insurance companies like the Oriental had begun to invest their funds in them, that the older series bearing interest from  $6\frac{1}{2}$  to 5 per cent were withdrawn and in their place those bearing 4 and  $3\frac{1}{2}$  per cent had been issued, that the benefit of this lower rate of interest had been promptly passed on to the ultimate borrower who now paid 6 per cent on his borrowings instead of  $8\frac{1}{2}$  per cent formerly, that the Legislature had been pleased to raise the Government's guarantee of the debentures from Rs. 50 lakhs to Rs. 100 lakhs, that the investment in these debentures of one-fourth of the provident fund collections and one-sixth of the railway cess fund of local boards had been permitted and that the primary land mortgage banks were in no arrears either of principal or interest to the Central Land Mortgage Bank. Sir Ramachandra Rao added that the land

mortgage banks would like to reduce the interest for the ultimate borrower further and make loans available for him at the same rate as Government was making under the Agricultural Loans Act viz., 5½ per cent, but that could not be done if the Government did not reconsider its decision to levy a contribution from the Central Land Mortgage Bank for meeting the cost of the special staff appointed to investigate into the loan applications. As he pointed out, this staff is necessary not only in the interests of the Central Land Mortgage Bank but also of the primary banks and of the Government itself which has guaranteed the debentures. This formed also the subject of the most important resolution passed at the conference. In addition to objecting to the levy on principle, the conference urged that the reserve fund of the Bank was exceedingly small compared with its transactions and that therefore the Bank should be permitted to carry to the reserve fund the amount fixed by Government as contribution towards the cost of the special staff. This is an eminently reasonable request and we hope the Government, on whose behalf the Chief Minister assured the conference of every sympathy, will accede to it.

While the primary banks were not in arrear of principal or interest to the Central Bank, their members unfortunately were in arrear to the extent of about Rs. 50,000 under principal and about Rs. 8,000 under interest. The demand under the former being not more than Rs. 3 lakhs, the percentage of overdues comes to nearly 20. What makes the situation worse is that nearly 75 per cent of this amount is due from half a dozen primary banks. They are no doubt mostly the older ones, but that does not seem to be an adequate explanation; for among the oldest ones is Gudlavalleru which, though also one of the biggest primary banks, had no balance whatever due to it from its members; while the banks of Vadlamannadu and Kaikalur in the same area showed considerable arrears. We hope these banks in arrears will be given whatever assistance they may need by the Government and the Central Land Mortgage Bank, for it is of the utmost importance that the habit of overdues should be eradicated.

### The South India Co-operative Insurance Society.

The report of the Directors of this society and the speech of Mr. Ramadas Pantulu at its last general body meeting held on the 3rd November, published in this number, show clearly that the Society is making steady progress. Of special interest to co-operators should be the analysis of its policies according to their value given in Mr. Pantulu's speech. Out of 2,520 policies only 218 were for Rs. 2,000 and above, and 1,273 or rather more than half the policies, were for less than Rs. 1,000. This shows conclusively that the Society is serving the really poor man and to an extent which no commercial insurance company is doing or will care to do. That is enough justification



for the existence of the Society. While thankful for the help so far given by District Boards and the Co-operative Department, Mr. Ramadas pointed out it could well be much greater. We would go further. We think that non-official co-operators and co-operative institutions have not done as much for the Insurance Society as they ought to have done. The steady growth of its business and the care with which its expenses are kept down within the limits permitted by the by-laws should remove any doubts which might have been lurking in the minds of some co-operators about its success as a business concern. They should be glad to know that our Insurance Society has made greater progress than its sister institutions in Bombay and Calcutta. We hope that urban banks in particular will make greater efforts than hitherto to popularise among their members the advantages which the Society offers to the poorer sections of their members.

### A Supervisors' Conference.

We should like to draw the attention of district banks to the proceedings of the Tinnevely District Supervisors' Conference which is published in this number. Such conferences are of a business nature and have very great practical value. Though the Tinnevely Conference was the first of its kind to be held in that district, such conferences have been held before in other districts such as South Kanara. The President of the Tinnevely District Bank, Mr. M. Dalavoi Kumaraswami Mudaliar, who presided over the afternoon session of the conference, told the supervisors that the security of their tenure would depend entirely upon the efficiency of their collection work. He said :

*"Length of service, the fact of being permanent etc, will not be given any weight. The supervisor's usefulness only will be taken into account as evidenced from records. Chief and foremost will be, how they fared in collection work last year. Those who have done well will keep on to that recorded, those who did not should fast improve and should in reality be useful in the interests of the Bank. Each in his turn should do his best to discharge his duties willingly, sincerely and diligently, which alone will be the foundation to secure his tenure of appointment."*

While we hold that efficiency should receive supreme consideration, we do not think it is synonymous with collections. Supervisors have other duties to perform than making collections—they are more than bill-collectors. Gross inefficiency may not be excused in an employee on the ground of his being in permanent service or the length of service. But at the same time these factors should be given some weight in deciding whether a supervisor or other employee should be sent out from service.

## The Y.M.C.A. and Co-operation.

The Young Men's Christian Association in India, especially in South India, has always shown a proper appreciation of the co-operative movement. As far back as twenty years ago some of its Secretaries were sent for special training under the Department in this province. They organised a number of societies in rural areas. Under the leadership of the late Mr. K. T. Paul, the Y.M.C.A. took a prominent part in the organisation of the Christian Central Bank and it still continues to take a keen interest in its management. In its Rural Reconstruction Centres—in organising which the Y. M. C. A. was a pioneer—and in the curricula of the summer schools attached to these Centres, co-operation is given a very important place. It was therefore quite in keeping with this tradition that the central Y. M. C. A. at Esplanade, Madras, arranged a series of weekly talks for educated young men by experienced officials and non-official co-operators. The series was begun by Mr. Austin, I.C.S., Registrar of Co-operative Societies, who explained the principles of the movement and its main features in this province. He stressed political and religious neutrality and regretted the violation of political neutrality in some societies. He was followed by Mr. Ramadas Pantulu who explained the financial arrangements of the movement. While the societies are undoubtedly in difficulties owing to past mistakes and the economic depression, he sees no justification for the degree of pessimism which some people entertain. Diwan Bahadur K. Deivasikhamam Mudaliar, Joint Registrar, spoke on co-operative marketing; Mr. K. Bhashyam Aiyangar, Vice-President of the Provincial Bank, on the Agricultural Credit Department of the Reserve Bank; Mr. Giriappa, Deputy Registrar, on better living societies and Rao Bahadur C. Gopala Menon on land mortgage banks. In addition to attending these lectures the students were encouraged to study books on co-operation and allied subjects, of which a large number were made available to them from the library of the Provincial Co-operative Union. We trust that as a result of these talks some young men at least will be inspired to serve their country through the co-operative movement. We hope that other branches of the Y. M. C. A. and also other organisations, will follow the example of the Explanade Branch.

## Debt Conciliation Boards in C. P.

In view of Diwan Bahadur T. A. Ramalingam Chettiar's Debt Conciliation Bill, which is now engaging the attention of our Legislative Council, the following extract from a recent press communique of the Government of the Central Provinces, regarding the work of Debt Conciliation Boards there, will be read with interest:—

“Up to the end of August 1935, the Boards had conciliated debts amounting to Rs. 128'33 lakhs for Rs. 70'65 lakhs, thus effecting a remission of 44 per cent of the claims. Besides this,

certificates under Section 15 (1) of the Act, declaring that the creditors had unreasonably refused amicable settlement, had been issued in 2,108 cases for claims amounting to Rs. 23'94 lakhs. The creditors to whom these debts are owing will not be entitled to costs in suits for their recovery or to any interest after the date of the certificates in excess of simple interest at 6 per cent per annum, on the amount due on the date of the certificates. The instalments are fixed with due regard to the paying capacity of the debtors and no interest is allowed as a rule on the conciliated debts in future. Considering that conciliation can be made only by voluntary agreement of both the parties, the progress made so far can be considered satisfactory."

One of the most successful of these Boards was the one at Seoni which was constituted on the 15th July 1933 and the operations of which were closed on the 15th July 1935. In reviewing the report of its chairman, Rao Sahib N. R. Chandorkar, the C. P. Government point out that during its life of two years the Board received no fewer than 4,943 applications amounting to Rs. 89'97 lakhs. Of these 501 applications involving debts amounting to Rs. 15'98 lakhs were dismissed under section 7 (1) of the Debt Conciliation Act and 270 applications covering debts of Rs. 9'12 lakhs were dismissed under section 14 as no settlement could be arrived at with the creditors. In 2,784 cases conciliation was effected. The claims which amounted to Rs. 44'40 lakhs were settled for Rs. 25'75, resulting in a remission of 42 per cent of the demand. In 542 cases involving Rs. 5'99 lakhs, certificates were issued under section 15 (1) declaring that the creditors had unreasonably refused amicable settlement.

But the work of the Board was really much more than is indicated by the figures given above. In the case of big mortgage loans the scheme of equated payments was not found suitable, but what was found suitable was the transfer of a portion of the mortgaged property. Such settlement was effected in 70 per cent of the mortgage debts, but it was done "unofficially," so to speak. There were also some cases in which more than Rs. 25,000 was involved, which were conciliated by the chairman informally. In all places the activities of the Boards have stimulated private conciliation of debts. The review states with satisfaction that the operations of the Boards have not resulted in any appreciable restriction of agricultural credit for current needs. The C. P. Government recognise that the success of the Board was due largely 'to the unselfish sacrifice of time and trouble which its members made ungrudgingly.' the Boards are constituted with suitable personnel, we may expect them to prove successful in our province also.

## A Trustee Bank for Clearance of Debts.

*An Experiment to deal with members of Co-operative Credit Societies.*

BY MR. V. RAMADAS PANTULU.

The following resolution, which was moved by Dr. B. Pattabhi Seetharamiah, was adopted by the 21st Session of the Madras Provincial Co-operative Conference held in September 1935 :—

“ The Conference resolves that steps should be taken to organise a Trustee Bank either jointly or as a branch of the Madras Provincial Co-operative Bank or the Madras Co-operative Central Land Mortgage Bank in order to help in the relief of rural indebtedness.”

He explained the object of the Trustee Bank advocated by him in these words : “ The object of the Bank should be to finance a series of Trusts, each of which is managed by a Trustee. The Trustee should be empowered to settle the liabilities of the Trust. He can borrow money at easy rates from the Trustee Bank and repay the creditors on favourable terms. He can sell the property of the Trust at leisure and repay the Bank in full. All this may not take longer than two or three years, sometimes four years, so that theoretically a four years' deposit may serve the needs of the Trust. But as the bank is intended to help in the operations of the affairs of a series of Trusts it may be reasonable to say that the Bank should receive fixed deposits for a term of ten years or float debentures to be redeemed after a period of ten years or earlier at the pleasure of the bank ; and the rest of the operations will but closely follow the steps and stages that are met with in respect of land mortgage banks of the day. The debentures will be supported by the indentures and later will be transferred to the Trustee and the Trustee holds the indentures as the guarantee for the debentures.”

The idea is a simple one, though its financial and other implications are very complex. We come across numerous cases in daily life of debtors who have sufficient assets to pay their debts and still to save a portion of their properties from their creditors but are unable to do so, owing partly to their inability to manage their affairs in a business like way by disposing of their properties in the most advantageous manner and partly on account of absence of credit facilities

to them even if they have the business capacity and aptitude to deal with the situation. So, if some one with business capacity and who can also command credit in the market is entrusted with the affairs of such a debtor, with directions to so administer the estate of the debtor as to pay the debts of the latter and to save for him as much as possible, many a debtor can be helped. Two agencies are necessary in order to work such a scheme, *Firstly*, there must be a Trustee forthcoming to take a trust deed from the debtor for the administration of his assets. The Trustee will become the legal owner of the properties of the debtor and he will have full powers under the law to sell, mortgage or otherwise dispose of the property in order to raise the requisite funds to pay the debts. Whatever remains of such funds will of course go back to the debtor. The second agency that should be forthcoming is a bank or some other kind of credit organisation, which will finance the Trustee, so that he may discharge the debts without waiting for the disposal of the whole property, for an immediate disposal of the properties may not be possible and the creditors may not be willing to wait till the Trustee disposes of the properties in a favourable market to the best advantage of the debtor. The interim period is a very critical one, and if the Trustee is financed by some agency on the security of the properties vested in him under the trust deed, he can certainly do a great deal to benefit the debtor and to save some property for him.

It may not be very difficult to find suitable persons to act as such Trustees, for such services will not ordinarily be honorary but will normally be remunerated either by commission at a certain percentage of the sale proceeds or on some other basis. The more difficult question that remains to be solved is to find the agency which will be forthcoming to finance these Trustees. Dr. Pattabhi Seetharamaiah says that it must be a *bank* and most people will agree with him. But what kind of bank is it to be? It may be a commercial bank or a co-operative bank. Such a bank when formed will be equally useful whether as an adjunct of a statutory debt conciliation scheme or as a help to private Trustees. It can raise its funds partly by share capital and partly by deposits or debentures backed by the mortgages of the debtors' properties, which are vested in the Trustee and transferred as security by suitable modes of conveyance to the bank.

The Provincial Co-operative Conference accepted this resolution with considerable scepticism about the feasibility of the scheme,

and charged the Executive Committee of the Provincial Co-operative Union with the duty of working out the details of the scheme and eliciting co-operate opinion, after the scheme is reduced to a concrete form.

A situation has now arisen within the Co-operative Movement itself, which in my opinion, gives some scope for an experiment of this sort being started at least in the very limited sphere of Co-operative Debtors, leaving the more difficult question of other classes of debtors to wait till we watch the result of our experiment in our societies. From the statistics available so far with regard to the purchase of lands of their members by co-operative primary credit societies in this province in discharge of the debts due to such societies, it appears that about 8,000 acres of agricultural land (5,500 acres dry and 2,500 acres wet) have been so purchased by such societies in this Province. The total amount for which these lands are purchased is in the neighbourhood of Rs. 12 lakhs\* Members of Co-operative Societies who were unable to discharge their obligations to the societies have thus lost a fairly large extent of their lands. In many of these cases, the sales should have been of a forced nature and would not have fetched their proper or normal prices. I think we may begin with an experiment wherein we may administer these purchased estates of the credit societies for the benefit of the indebted members who have lost the lands. If a Trustee is appointed for each contiguous group of village in which the credit societies have purchased such lands, he can explore avenues for re-selling the lands at their proper price and thereby either save a portion of the lands for the debtor or secure to him the surplus of the sale proceeds after meeting the society's debt and other debts if any. Cases of debtors who cannot be helped in this manner and whose indebtedness exceeds the value of the assets, including the lands purchased by the credit societies, will have necessarily to be excluded from the scheme. I think some substantial help can be rendered to a certain percentage of the members of the credit societies whose lands were thus sold in discharge of the society's debts by this method. The trustees thus appointed will be local men with business capacity and integrity. I believe that they will be forthcoming to serve in that capacity for a reasonable remuneration for their labour. These trustees, unlike those who are appointed by debtors, whose properties

\*These figures exclude the lands purchased by liquidated societies and central banks. But their extent and value are comparatively small.

have not yet been sold, cannot obtain a legal title to the properties by any trust deed executed by the debtor, for the latter's title has already passed to the creditor-societies by purchase by the latter. So, the societies and the debtors must combine in executing the trust deeds to enable the trustees to get into possession and management of these lands and to clothe them with legal title to deal with them. This is matter of conveyance and legal procedure which can be settled with the help of expert advice. The Society's rights of ownership will of course be duly safeguarded in cases where the trusts are not wholly or partly executed and their right to have priority over other creditors in regard to the proceeds realised on re-sale of lands will also be fully secured.

The question is who will finance such trustees in the interval of the time taken for re-sale or other manner of disposal of the properties vested in him under the several trust deeds as stated above, and the realisation of the values of the properties or portions of them in the course of the administration. Confining the scheme to debts due to credit societies, I can think of only three alternatives: (1) The Co-operative Central Bank in the area in which such lands are situated may find funds, depending if necessary partially on loans from the Provincial Bank for the purpose. (2) The Provincial Bank may itself directly undertake to finance the scheme through the central banks on a separate account, these loans not being mixed up with the normal loan business of the central bank. The unit to be so dealt with in either alternative will be the credit society and not the individual debtor. Neither the Provincial Bank nor central bank should ask for any margin of working expenses for keeping the accounts of the several trustees, transmitting the funds to the societies and the trustees through them, and for allied services. If these services are free, the trustees will receive loans carrying interest at 4 per cent, which is the present lending rate of the Provincial Bank. (3) The third alternative is the formation of a new co-operative or joint stock trustee bank which will finance itself by collecting share capital and taking long term deposits or floating debentures.

On a careful examination of the relative merits and demerits of the three alternatives, I think the second alternative, namely, the Provincial Bank operating through the Central Co-operative Banks and the societies seems to be the best. Two questions arise in that case for the consideration of the Provincial Bank. *Firstly*, whether the properties involved in these lands, namely, 8,000 acres will fetch

sufficient income to meet the interest charges of the Provincial Bank. Assuming that all the 12 lakhs of rupees for which the properties have been purchased are to be advanced to satisfy the claims of the societies which purchased them, the interest on that amount will be about Rs. 48,000 per year. We have now no data to ascertain what the income from these 8,000 acres of land is or is likely to be. If on an average an acre of dry land can be expected to fetch Rs. 5 and an acre of wet land Rs. 10, then the income from these lands will be a little over Rs. 50,000 and will be enough to cover the interest charges. I have already stated that neither the Provincial Bank nor the central banks should charge any thing for their services because it is a novel scheme, which is intended to relieve helpless debtors who have lost their properties by forced sales. Ordinarily, the scheme can be worked without any necessity for the Provincial Bank to lend so large a sum as Rs. 12 lakhs at any time. The trustees can in some cases manage without paying, before realisation of sale proceeds on resales, all the sums which the creditors or purchasers of the land have to be paid. As the period that will be ordinarily required for the execution of such trusts may not exceed five years, the Provincial Bank's resources will enable it to find funds for five years, without any special modification of its deposit policy.

The second point that has to be considered is the nature and extent of the risk which the Provincial Bank will have to face by lending this money. If the value of the lands appreciates, then certainly there is no risk. Even if the prices remain the same as those at the time of the sales, then also the risk is small. But if there is a further fall in the value of the lands, then there will be a real risk. It is very unlikely that there will be further fall in the value of lands, for I hope we have seen the worst of the economic depression. The question that assuming that there is such a fall, resulting in a loss to the Provincial Bank, who is to bear this risk must, however, be faced in a business proposition like this. The risk, I think, may be proportionately distributed primarily among the several central banks in whose area the several Trusts are administered, the Provincial Bank, however, shouldering the responsibility of bearing a portion of the loss in area where the Central Banks are unable to do so, owing to their own financial condition.

I am glad to state that the Joint Registrar of Co-operative Societies, Diwan Bahadur K. Deivasikhamani Mudaliar, is giving his thought to this problem and is looking into details of the lands



purchased by co-operative societies, their present values, incomes and other relevant details, which will be very necessary for the further elaboration of the scheme. I earnestly hope that the Co-operative Central Banks in this province will also make a careful study of this problem and collect accurate and reliable statistical data in regard to their several areas, which are necessary to enable the Provincial Co-operative Union to draw up a scheme to deal for the present, with cases of indebted members of the credit societies, whose lands were sold for the discharge of the debts due to the societies. It may be mentioned that the cases of members who are indebted to our credit societies but whose lands are not yet sold, but will have to be sold sooner or later, may as well be included in the scheme, for the principles and methods to be adopted are the same.

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## Claim Proceedings under Act VI of 1932.

BY MR. P. K. SRINIVASARAGHAVACHARYA, B.A.

Rule XXII 17 (a) of the Rules framed by the Local Government contemplates investigation of claims and objections with respect to properties attached. It corresponds to Rule 58 of Order XXI of the Code of Civil Procedure. The grounds on which a claim may be rejected or allowed have not been stated. In fact no rule corresponding to Rules 59, 60 and 61 of Order XXI of the Civil Procedure Code is to be found. There is nothing in the rule under consideration as to what a sale officer enquiring into such petitions should attempt to find out. Whether the scope of enquiry should be restricted to possession or extends to finding out as to what the title of the claimant to the property is, has not been mentioned. This has to be seriously considered when it is known that gentlemen who have no training in law are often entrusted with such sort of work.

The rule says that the claim should be disposed of on the merits. It is not stated whether the sale officer, who is also the attaching officer, has to pronounce an opinion as to what he has himself attached is liable to be so attached and then keep quiet leaving it to some other entity to deal with the property that he has seized, or whether he himself has to direct the property to be released. It cannot be inferred without definite rules that the sale officer has got the powers to release the property, since he is only an instrument through which the Registrar of the District is attaching the property.

The position of the successful claimant is worse than that of his defeated friend. Whereas under Rule XXII 17 (c) the defeated claimant has got a chance of seeking redress by instituting a suit, the successful claimant has to remain satisfied with the fact that the sale officer has pronounced an opinion favourable to him. In fact there is absolute necessity that rules corresponding to Rules 59, 60 and 61 of Order XXI of the Code of Civil Procedure should find a place among the rules framed under the Act.

The rule lays down that a suit should be instituted. Where it should be, has not been stated. A rule does not gain anything by being vague. If a defeated claimant is a member of the decree-holder society, can he file a suit in a Civil Court in the face of section 51 of the Act?

Even in case of mortgage decrees the rules necessitate attachment of the hypotheca, even though it is not known as to why such a procedure should be adopted and attachment batta paid. As per the rule under consideration, a claim petition lies in cases where mortgage decrees are being executed even though it has been laid down that under similar circumstances no claim would lie in a Civil Court. (Please *vide* A. I. R. 1930 Madras 712 and A. I. R. 1921 Cal. 479.) The ground for such a view is that what is being sold in execution of a mortgage decree is the right title and interest of the mortgagor in the hypotheca and that it is not within the province of an executing court to hold an enquiry regarding the title of the mortgagor to the property that has been mortgaged. The scope of the rule should be limited to cases where properties are attached in execution of simple money decrees.

The sale officer is given an option to refuse to investigate, if he considers that the claim or objection is frivolous. It is only after investigation that the sale officer can find that the claim is frivolous or otherwise. It has to be considered as to whether this portion of the rule does not give wide scope to a gentleman who may like to be easy going, to refuse to investigate a claim.

It is a rudimentary proposition of law that a person should not be allowed to sit in judgment over himself. It is the sale officer that attaches the property. The legality or otherwise of the attachment has also to be considered in the course of an enquiry. It can be stated without fear of contradiction that the sale officer who has to judge of his own acts cannot but find that they are perfectly legal. It is desirable that an officer superior in grade to the attaching officer is entrusted with the task of enquiring into objections and claims. The sub-rule under consideration may with advantage be amended as follows:

17. (a) "Where any claim is preferred to or any objection is made to the attachment of any property attached in execution of a decree not being a mortgage decree on the ground that such property is not liable to such attachment, the officer (not being the officer who effected the attachment in question) appointed by the Registrar of the District for enquiring into claims and objections shall investigate into the claim or objection and dispose of it on its merits.

Provided that no such investigation shall be made where the officer considers that the claim or objection was designedly or unnecessarily delayed.

(b) The claimant or objector must adduce evidence to show that at the date of the attachment he had some interest in, or was possessed of, the property attached.

(c) Where upon such an investigation the officer is satisfied that for reasons stated in the claim or objection such property was not, when attached, in the possession of the judgment debtor or some person in trust for him or in the occupancy of a tenant or other person paying rent to him, or being in the possession of the judgment debtor at such time, it was so in his possession not on his account or as his own property but on account of or in trust of some other person, or partly on his own account and partly on account of some other person; the officer shall make an order releasing the property, wholly or to such extent as he thinks fit from attachment. Thereupon the property so released shall be delivered to the claimant or objector.

(d) Where the officer is satisfied that the property was, at the time it was attached, in the possession of the judgment debtor as his own property and not on account of any other person, or was in possession of some other person in trust for him, or in the occupancy of a tenant or other person paying rent to him, the officer shall disallow the claim.

(e) Where the property to which the claim or objection relates has been advertised for sale, the sale officer shall on receipt of an intimation to that effect postpone the sale pending the investigation of claim or objection.

(f) Where a claim or an objection is preferred, the party against whom an order is made may institute a suit in the Civil Court within the limits of whose jurisdiction the property was attached within one year from the date of the order to establish the right which he claims to the property in dispute, but subject to the result of such suit, if any, the order shall be conclusive."

## Financing of Cultivation and Sale of Produce Through Co-operative Agencies.

BY MR. K. UNNIKRISHNA MENON,

*Deputy Director of Agriculture.*

What the ryot needs at present is the financing of his cultivation with some small short-term loan to pay kist and to meet his domestic expenses before his produce is sold at a profitable price. For want of a proper organised agency, the ryot is now at the mercy of the middleman who seeks every opportunity to profit himself at the expense of the ryot. He should be saved from this position and the co-operative agency is best suited for this purpose. The financing of cultivation is the function of the primary societies and the sale of produce may be done by the primaries or by a central loan and sale society. The co-operative agency should step into the shoes of the middleman and gradually eject him.

The work can be undertaken as an experimental measure in a few select societies where there are satisfactory panchavats attending to the societies' affairs and the work of the societies is not bad. The assistance of the Co-operative Department and the local supervising authorities has to be obtained for this purpose. The plan of work is as follows :—

The members who are in possession of lands by lease or otherwise may be helped with funds for cultivation expenses. The Agricultural Demonstrator will for this purpose visit the rural credit societies where there are chances of working out this scheme, educate the panchayatdars and the members about the usefulness of the improved methods of cultivation and also appraise them of the advantages arising out of the proposed system of financing them through co-operative societies. If the members are agreeable to the scheme and if the Demonstrator thinks there are chances of working it out, he will prepare a suitable scheme for cropping the lands of the applicants who apply for the crop loans through him and prepare a year's budget of the loans needed for a society so selected.

The Agricultural Demonstrator will then prepare in the statement as published in the next page an estimate of the requirements of members for cultivation expenses and the probable time when the advances have to be paid.

# FINANCING OF CULTIVATION AND SALE OF PRODUCE

Serial No.	General No. of the member in the society.	Name of the member.	Survey No. of field proposed to be cultivated with the loan.	Wet, dry, or garden.	Extent.	Name of the crop which is proposed to be raised.	Total amount required for cultivation.	Amount to pay other liabilities on crops etc.
1	2	3	4	5	6	7	8	9

Amount needed for other purposes during the year.	Total amount required as loan.	Months in which the amounts are required with the demand for each month.	Month in which the crop is expected to be harvested.	Expected value of the produce.	Month in which the produce can be sold.	Nature of security offered.	Signature of the member who wants the loan.	Remarks.
10	11	12	13	14	15	16	17	18

It is desirable that this statement is prepared for each crop separately as the season for cultivation and harvesting differs for each crop. The Agricultural Demonstrator will then prepare a loan application from the society with the help of the supervisor of the Union with great care. The loan application together with the statement prepared as aforesaid will then be submitted through the Assistant Director to the Deputy Director of Agriculture who will scrutinise the same and forward it to the local Union to which the society is affiliated, or to the Federation if the society is not affiliated to a Union, for necessary recommendation to the Central Bank for the loan. The Union or Federation will dispose of such applications as speedily as possible. The Agricultural Demonstrator will take care to see that the necessary formalities are gone through sufficiently early to enable the members to get the loan in time. The Central Bank will sanction the loans if it is satisfied, and also make the amount available to be drawn only in instalments by the respective societies on the recommendation of the Agricultural Demonstrator.

The loans to members will be disbursed only in instalments and not in a lump. The first instalment may be for ploughing, manuring, sowing etc., the second for weeding and the third for harvesting and thrashing. The second and third instalments will not be disbursed before the Agricultural Demonstrator certifies that the previous instalment has been properly used.

The loan will be granted to members under the usual conditions as per by-laws of the society.

The members should undertake to sell the produce through the loan and sale society which will arrange to sell the produce to the best advantage of the ryot in a favourable season or sell it through the primary society itself. The loan and sale society will be prepared to advance 60 to 75 per cent the value of produce deposited with it. The ryot may clear the dues to the primary society out of this and meet his immediate demand for funds. Where there is no loan and sale society the sale may be effected by the credit society. The members must be made to understand that the society enjoys a first charge on such produce as per provisions of the Act and that the proceeds would be appropriated for the dues of the member—in the first instance for the crop loans advanced, and next for any other dues to the society—making due provision for the members' subsistence.

When the scheme is successfully worked in a select area it is bound to give a new outlook to the ryot and effect an orientation in the policy of co-operative credit. The ryot will no longer be at the mercy of the middlemen. He will feel a new strength and freedom. Co-operative Credit will become a really controlled credit as it should be, the control being exercised by the Agricultural Demonstrator and the special supervisor, who prepare the loan application and watch and regulate the use of the loan. Co-operative loans would be recovered not as hitherto at the fag end of the year with a view to show a better profit but at a time when the ryot is most able to pay out of the produce raised by him and sold through the agency of co-operative society.

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## Conferences.

### SUPERVISORS' CONFERENCE.

*Proceedings of the first Supervisors' Conference held on Saturday 21—9—1935 in the premises of the Tinnevelly District Co-operative Central Bank, Ltd.*

Present :—

M. R. Ry. Medai Dalavoi Kumaraswami Mudaliar Avl., President.  
,, S. M. A. Muthu Pillai Avl., Secretary.  
,, S. Agastheeswaram Pillai Avl., Executive Officer  
and 24 Supervisors.

The Conference began at 10 a. m. with M. R. Ry. S. M. A. Muthu Pillai Avl., Secretary of the Bank in the chair. The president attended the conference at 2-30 p. m. when he presided.

The following are the subjects discussed at the conference.

#### 1. Collection.

The supervisors were instructed that collection is the primary duty of the supervisors and should be attended to throughout the year, without reserving it to be taken up at the fag end of the year. It is an every day work. Special devices for the collection of long overdue cases were discussed and special recognition for good work in this line was promised. They were specially directed on the following points to hasten collection. That the supervisors should meet the arbitrators wherever possible or remind the Deputy Registrar of Co-operative Societies for the quick disposal of the arbitration references through the Societies and render all possible assistance to the arbitrators for the quick disposal of the cases. In regard to the execution proceedings the supervisors should meet the Sale Officer as often as possible and try to expedite proceedings, rendering them necessary assistance with this end in view. Due care should be taken in the preparation of execution petitions without giving room for return of the petitions on grounds of imperfectness or want of sufficient fees being remitted etc.

After discussion, it was decided that :—

(a) The Deputy Registrar is to be addressed to intimate the society concerned about the amount collected by the Sale Officer in each execution with necessary details (ARC and C. E. P. No.) with receipts for any adjustment made by the Deputy Registrar on account of cost etc. Invariably there is difference between the amount collected from the party and the amount credited in the Bank and vouchers for the difference are not available.



(b) When action against the moveables is over and arrangements are being made to attach immoveables, if there is a possibility for further proceedings against the moveables once again, and thereby realise the dues of the defaulter, the Deputy Registrar is to be requested to proceed once again against the moveables in such cases on the request of either the office bearers of the societies or the supervisors.

(c) When once moveables are attached the sale is not conducted on the date fixed and there are cases of delay over months together, it was decided to request the Deputy Registrar to direct the Sale Officers to conduct the sales on the dates fixed and without any avoidable delay.

## 2. *Loan Applications.*

General Instructions were given to the supervisors drawing pointed attention to the general defects and as to how to prepare them correctly, and the points they will have to bear in mind in this respect. Circulars on the subject issued by the Bank from time to time were read and explained. Practical difficulties expressed by supervisors were freely discussed and advice was given.

## 3. *Registrar's Scheme Work.*

The Executive Officer gave a short speech on the subject. Instructions were given regarding the scheme work laid down by the Registrar. They should carefully revise the property statement, study the conditions of each and every loan and classify them as sound, ill secured and bad. On sound loans extension may be given, if necessary and deserving. Additional securities should be obtained for ill secured loans and timely action should be taken to recover them. Regarding bad debts the causes should be ascertained and the panchayatdars responsible should be made liable by preferring surcharge claims against them. Only after exhausting all possible means of collection any loan could be classified as bad and provision will have to be made to meet the bad debts. Circulars of the Registrar and the Bank on the subject were read and practical difficulties were discussed and decisions arrived at as to how best to overcome them.

## II. *Maintenance of record by supervisors.*

The supervisors were given instructions on the necessity of maintaining an "Information Register" (to be printed and supplied) so that one may be able to know at a glance the state of the various societies under the charge of the supervisors. This will be a guide also to men posted to new areas, that the circulars received from the Bank should be filed neatly date-wise in the stock file, and that the supervisors should maintain despatch registers.

## CONFERENCES

### *III. Vide subject. I. Clause (ii)*

IV. The supervisors were given clear instructions by the Secretary as to how to submit acquittance and how to endorse the cheques issued for their pay. The first business of the supervisors at the beginning of every fortnight is to prepare and submit their correct diaries relating to the previous fortnight to avoid delay in the matter of disbursement of their pay etc. There had been occasions of delay in receipt of diary and consequently drawing of pay had been delayed also. The supervisors were exhorted not to give room for similar complaints.

### *V. Vide subject I. Clause (iii)*

### *VI. Rectification of audit defects.*

Instructions were given as to how to rectify the defects noticed in the final and interim audits. It was clearly explained that the major portion of the defects now pointed out by the auditors would not have arisen if only the supervisors had discharged their duties properly and were to take some pains in the matter of maintenance of proper accounts in the society. It was resolved in this connection that the copy of the defects summary received in the Bank should be forwarded to the supervisors for rectification as it was found difficult to trace them in the society's records. They need not write the defects once again in the rectification report. If the serial number of the defects is given, it would suffice.

### *VII. General Instructions as to conduct, duty, punctuality etc.*

The Secretary explained to the supervisors how to submit reports and replies to the Bank references. That an upto date list of periodicals should be kept by every supervisor and submit them punctually without giving room for reminders. Un-punctuality does not reflect much credit on the supervisors. They were instructed to visit more often societies which are far away from the head quarters. That if only they do so, much of the fraudulent and benami transactions and cases of misappropriations could be avoided or detected at once.

The register of borrowings from the Central Bank should always be kept upto date without omitting the adjustments effected in the Bank. Omission to do this has lead to unnecessary correspondances between the Department and the Bank at the time of the final audit of the societies. It was resolved in this connection that the supervisors should be furnished with a list of fortnightly collections as was being done formerly in the case of Unions. They were instructed not to remove the account books of the society from its head quarters on any account. That the office bearers are to be educated on the proper maintenance of account books of the society. They should also be taught their duties and responsibilities as office bearers of a village society.

It was resolved after discussion, to send the loan verification report forms direct to the supervisors instead of to the society as is being done now.

*VIII. Subjects brought in for discussion by the supervisors.*

Some supervisors had given notice of a number of subjects to be discussed at the conference. Each subject was thoroughly discussed and decisions arrived at. The following subjects among them are specially mentioned as the subjects are to be placed before the Committee.

(a) Reduction of tour days or enhancement of F. T. A. It was explained that owing to the existing financial stringency, the question of enhancement of the F. T. A. cannot be considered at this stage. But the reduction of tour days may be considered.

(b) There is no provision for children at present in the rules governing the T. A. for transfer. It was resolved to consider the question of payment of actual expenditure to children also. These two subjects will be placed before the next Committee for their decision.

*IX. Reading of Papers.*

Instructive papers on the following subjects were read and explained to the supervisors.

(i) Revision of property statements: mistakes found and efforts to be made to rectify them and correctly prepare the same.

(ii) On flying visits to societies made by the supervisors, its drawbacks, disadvantages and waste of time and money. Necessity for stopping sufficiently long in the villages and stopping over nights in villages wherever necessary.

(iii) Execution proceedings watching of—their responsibilities to keep close watch over the progress of execution.

(iv) Time barred loans—rectification—main points on limitation—steps to be taken.

(v) Bad debts writing off.

(vi) Education necessity—to educate the office bearers and the part to be played by the supervisors.

(vii) Revival and expansion—instructions.

(viii) Economic survey and rural uplift.

(b) The following circulars were read, explained and copies delivered:—

1. E. 2.506/35-36. Regarding Registrar's circular regarding grant of short term loans for agricultural purposes.
2. E. 2.621/35-36. Regarding Registrar's circular on relief to the agriculturists by reducing the interest and waiving off completely penal interest.
3. E. 1.1596/35-36. Regarding rectification of audit defects—instructions.
4. E. 1.1035/35-36. Regarding special preference to supervisors for good collection of long out-standing and doubtful loans.

The President delivered a short and instructive lecture on the duties and responsibilities of the Supervisors.

*(Lecture Omitted—Ed.)*

Enthusiasm was maintained throughout and the Conference came to a close at 7 p.m.

## LAND MORTGAGE BANKS' CONFERENCE.

A conference of the delegates of the Primary Land Mortgage Banks with the Central Co-operative Land Mortgage Bank took place at the premises of the latter on Saturday the 23rd November 1935 at 11 a. m. The Conference was opened by the Hon. The Raja of Bobbili, K.C.I.E., Chief Minister. The Hon. Mr. P. T. Rajan, Development Minister, the Registrar and Joint Registrar of Co-operative Societies and many prominent co-operators of the city were present. In requesting the Raja Sahib to open the Conference, Dewan Bahadur Sir M. Ramachandra Rao, President of the Central Land Mortgage Bank, made the following speech :—

### SIR M. RAMACHANDRA RAO'S ADDRESS.

On behalf of the Directors of this Bank and on behalf of the representatives of the Primary Land Mortgage Banks assembled here, I extend to you a hearty welcome. Since the establishment of this Bank, this annual conference of the affiliated banks with this Bank is being regularly held and has afforded opportunities to representatives of the financing institution and the affiliated institutions to discuss and settle many complicated questions arising in their day to day administration. This is the sixth time we are so meeting. Last year, Sir Hopetoun Stokes, the Finance Member of the Government, who had always evinced keen interest in the progress of this Bank, was good enough to open the conference and to give us the benefit of his views on the working of the scheme and incidentally to acquaint himself with our difficulties, our aims and aspirations. We are grateful to you for the readiness with which you have accepted our invitation this year and for coming here amongst your multifarious engagements as the Chief Minister of the Madras Government, to open this conference to-day. We believe that the only way of securing the continued progress of the scheme for the establishment of Land Mortgage Banks and for their smooth and efficient working is to interest you and other members of the Government in the work of this Bank from year to year and to avail ourselves of their financial and administrative experience. The progress of land credit institutions in this country is vital to the prosperity of the agricultural classes and the interests at stake are too important for Government to remain unaffected. In Europe and America, the Government is actively helping in various ways the working of these institutions and we in India can hardly expect to be an exception. Indeed it is clear from what is taking place in other provinces and in Indian States that they are falling into line and starting Central Banks on the same lines as ours. We have had visits from official and non-official co-operators of Bombay, Bengal and Central Provinces and from the Indian States of Baroda and Cochin to study our methods and to acquaint themselves

with the working of this Bank and its affiliated institutions. During the year, the continuance of the depression has increased the pressure of debt on the agricultural classes and the local Governments have been forced to turn their attention to the subject of agricultural indebtedness and to study methods of relief. The Government of India have appointed Mr. M. L. Darling, the well-known Punjab authority on rural problems, to go round the provinces and report on questions relating to the Co-operative Movement. I am glad to say that that officer who visited this Bank and some of the Primary Banks has stated in his report to the Government of India after going round the provinces that with regard to Land Mortgage Banking, Madras is leading India. His report is now before the Local Governments and also the Reserve Bank of India with reference to the proposal for the starting of the Agricultural Credits Department in that Bank under section 54 of the Reserve Bank of India Act. The problem of long term credit is now therefore receiving some attention and we are gratified and grateful that the Madras Government have also directly stepped into the field by amending the Madras Agricultural Loans Act, 1883, so as to permit loans for the clearance of old debts being made under that Act. At the outset, it is my duty to express our sincere thanks to the Government for this attempt, though late, to stand by the ryot during this period of depression and I trust that with the combined activities of the Government and of this Bank, some progress may be made in the solution of the problem of rural indebtedness. We are also glad that my esteemed friend Dewan Bahadur Ramalingam Chettiar's Bill relating to debt conciliation will soon be passed into law and beg to express the hope that the conciliation boards will be set up as early as possible. It must be clearly recognised, however, that unless there is a financial agency throughout the province, capable of meeting the financial liabilities of the debtors as settled by the Boards, the mere setting up of Conciliation Boards will do no good. I therefore think that with the establishment of Debt Conciliation Boards the simultaneous development of the financial machinery on a larger scale for meeting the situation is a matter of urgent necessity. I need hardly say that the Land Mortgage Banks are ready and willing to play their part in this important scheme for the amelioration of the ryot at this critical juncture.

The outstanding event of the previous year was the passing of the Madras Co-operative Land Mortgage Banks Act, 1934, by the Madras Legislative Council. It is a matter worthy of note that legislation on these lines is being passed in other provinces and Indian States. During the co-operative year that has ended with June 1935, the Madras Government published the necessary notifications under section 6 of the Act guaranteeing the principal of and interest on the debentures to be issued by this Bank up to a maximum of Rs. 50 lakhs,

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besides guaranteeing debentures already issued to the extent of about Rs. 24 lakhs under section 7. Since the date of the notification under section 6, debentures for Rs. 38,14,300 have been issued and it is expected that the maximum guaranteed will be reached in January next. As the work of the Bank is rapidly expanding, the Government were requested to increase the maximum to Rs. 100 lakhs, and under sub-section (2) of section 6 of the Act, they obtained the consent of the Legislative Council to do so. We beg to express our grateful appreciation of the prompt action which the Government have taken in this matter and hope that the necessary orders will be issued as early as possible. During the year, the Bank has issued debentures at 4 per cent for a sum of Rs. 24,15,300 and at  $3\frac{1}{2}$  per cent for a sum of Rs. 2,65,600. The total amount of debentures issued up to date by this Bank amount to Rs. 85,53,800 and debentures redeemed up to date amount to Rs. 25,59,300, thus leaving a balance of Rs. 59,94,500 in circulation. The demand for them is increasing day by day.

### *Our Debentures.*

The position of our debentures in the share market is satisfactory and is improving day by day. The purchasers of our debentures are not speculators but they come from those classes of non-speculating investors who seek sound investment of their funds for long periods. Government have been pleased to permit the local bodies to invest portions of their provident fund and Railway Cess Funds in the debentures and the Government have also recognised the debentures of this Bank as eligible for investment of the fluid resources of the Co-operative Central Banks. The Townsend Committee on Co-operation have remarked that the debentures of Land Mortgage Institutions are an ideal investment for Insurance Companies, who now invest almost all their funds in Government Securities. This Bank has made an effort to interest Insurance Companies in the debentures and I am glad to say that two of the leading Insurance Companies in the country, viz., The Oriental Government Security Life Assurance Company, Ltd., and The United India Life Assurance Company, Ltd., have for the first time purchased the debentures of our Bank during the year. We have already the Andhra Insurance Company, Ltd., and the Asiatic Government Security Life Assurance Company, Ltd., on our registers. Insurance Companies have played a great part in other countries in financing Land Credit Institutions and we sincerely hope that the Insurance Companies in this country will do the same in the years to come and we are doing our best to interest them in our debentures and to explain our scheme to them.

### *Reduction of Interest on Past Loans.*

I shall now have to refer to the position of the ultimate borrower. When this Bank was started, conditions of the money market were very

stringent. The borrowing rate of this Bank was  $6\frac{1}{2}$  per cent and loans were granted to primary banks at  $7\frac{1}{2}$  per cent, who in their turn granted loans to the ultimate borrower at  $8\frac{1}{2}$  per cent. In view of the continued financial depression, it was considered essential that every opportunity should be taken to reduce the rate of interest to the ultimate borrower. The easy conditions of the money market enabled the Bank to continue the policy of conversion of the debentures bearing high rates of interest which were issued in the early stages of the Bank's working. In pursuance of this policy, debentures of the third series bearing interest at  $6\frac{1}{2}$  per cent were replaced by debentures bearing interest at 5 per cent. The first and fifth series of the debentures bearing interest at 6 and  $5\frac{1}{2}$  per cent were also redeemed in December last and debentures bearing interest at 4 per cent were issued instead. The money borrowed by the issue of the debentures of the first, third and fifth series had been lent to the ultimate borrower at 8 and  $8\frac{1}{2}$  per cent. Consequent on the conversion of the debentures of the said series, the rate of interest on those loans was reduced to 7 and  $6\frac{1}{2}$  per cent. After the above conversion was completed the only series outstanding bearing interest at 5 per cent are the sixth, seventh and ninth aggregating to Rs. 16,41,800 as on the 30th June 1935. Since the close of the year, the Board has resolved to redeem the sixth and ninth series of debentures and issue 4 per cent debentures in their place. With this further reduction in the rate of interest on the debentures which takes effect from 1st December 1935, the date fixed for their redemption, the ultimate borrower will be charged only  $6\frac{1}{2}$  per cent on these loans. It is also proposed shortly to redeem the seventh series of debentures, the only series outstanding bearing 5 per cent interest. When this is done, there will be no loans carrying interest at more than  $6\frac{1}{2}$  per cent to the ultimate borrower. In this way, every effort has been made to pass on the benefit of conversion to the borrowers.

#### *Interest Rate and New Loans.*

With the organisation of new banks and the expansion of the business of the existing banks, there has been a steady increase in the loaning operations of this Bank. During the past year, a sum of nearly Rs. 20 lakhs was disbursed to the borrowers. In response to the repeated requests from the agricultural classes for increase of the individual maximum borrowing power from Rs. 5,000 to Rs. 10,000 the Government have been pleased to authorise the Registrar (in their G. O. No. 1168, dated 26—8—1935) to permit primary banks in select areas to enhance the maximum amount which can be borrowed by an individual member from Rs. 5,000 to Rs. 10,000. Proposals have been received from a number of banks for increasing the maximum borrowing power and these proposals will be taken into consideration very soon. With the increase in the maximum borrowing power, it is expected that there will be a considerable expansion of the business of the banks.

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The present conditions of the money market has enabled the Bank to reduce the borrowing rate still further as already stated to  $3\frac{1}{2}$  per cent. Since May last, debentures have been issued for a sum of Rs. 11,97,100 at this rate of interest. The Board has, therefore, thought it fit to reduce the interest on loans disbursed as and from 19th October to 5 per cent to the banks and 6 per cent to the ultimate borrower. In present circumstances, an agriculturist requiring a loan of less than Rs. 2,000 can get it from the Government at  $5\frac{1}{2}$  per cent, while he can get it through the Land Mortgage Banks only at 6 per cent. The Board is anxious that the rate of interest now prevailing should be further reduced. But, however, there are questions of finance in the way such as the cost of the investigating staff which must now be referred to.

### *Contribution for Staff.*

The question of financing the outdoor staff employed for the benefit of the Land Mortgage Banks has been the subject of anxious consideration of the Board. The problem of dealing with rural indebtedness and improving the economic condition of the ryot is the subject of investigation by many Commissions and Committees and the State has an important part to play in the solution of the problem. It can be systematically dealt with only when the Agricultural Credits Department of the Reserve Bank of India is organised. We are glad that this matter is receiving attention from the Government of India and the directors of the Reserve Bank. Mr. Sathianadhan's report on Rural indebtedness has presented the problem in this presidency in a new light. It is to be regretted that Mr. Sathianadhan could not find time to visit our bank and personally acquaint himself with the working of this institution and this accounts for some unfounded remarks about this Bank's working in his otherwise excellent report. He has dealt with the many difficulties of financing agriculturists in a comprehensive manner. One of the solutions suggested is the provision of long term credit on a large scale, which would result in a large extension of the activities of this Bank. I venture to say that the directors are prepared to shoulder the burden and believe that the problem of rural indebtedness is so enormous that it can be properly solved only by sympathy and co-operation between the Government and co-operative and other financial organisations in the country and also by the adoption on the part of the people habits of prudence and economy which are so necessary on the part of the agricultural classes.

The expenditure on these banks is, therefore, on the same footing as the expenditure incurred by the Government on the other activities of the Development Department. There is, therefore, no reason to make any distinction in regard to the expenditure incurred on account of the staff. This investigation is in the interests of both the Central Land



Mortgage Bank and primary banks and finally in the interests of the Government which has guaranteed the debentures. These banks are semi-public institutions and not profit-making concerns by their constitution and by-laws; they cannot have sufficient margin of profit to cover the expenditure on the staff. Besides, it is essential, as remarked by the Townsend Committee, that the Central Land Mortgage Bank should build up a strong and adequate reserve fund as rapidly as possible. These matters were urged in my letter to the Government dated 19-6-1934 regarding the financial arrangements for the outdoor staff.

In G. O. No. 914, Press, dated 29th June 1935, orders have been passed by the Government that after setting apart 25 per cent of its profits to the Reserve Fund and paying a dividend not exceeding six per cent to the share-holders, the Central Land Mortgage Bank should utilise the balance to meet the cost of the staff employed for the benefit of the bank and that the balance, if any, after these requirements are met, may be added to the Reserve Fund. As regards the staff employed for the benefit of both the Central Bank and the Primary Land Mortgage Banks, the Government are prepared, it is stated, to meet the entire cost involved till 31st March 1937 on condition that after paying a dividend not exceeding 5 per cent to the share-holders, the Primary Land Mortgage Banks should set apart the entire balance of their profits to the Reserve Fund. The Registrar of Co-operative Societies was also requested to review the position again in 1936 in order to see what further arrangements should be made in the matter. The proposals relating to recruitment of staff, their training and the formation of a separate cadre are still under the consideration of the Government. While thanking the Government for meeting the charges of the outdoor staff till now and for the assistance rendered to this bank in other directions, I beg to express the hope that the Government will be able to revise the conclusions already reached about the cost of the staff and to order that it should be wholly met from public funds and to make it possible to grant loans on the same terms as the Government to the agriculturist. Any other course would result in the cost of the outdoor staff being charged to the borrower and for that purpose a higher rate of interest will have to be levied. This is very undesirable.

#### *New Banks.*

Some amount of criticism has been made that more banks have not been started. The problem of extending the operations of this Bank and organising new primary land mortgage banks is beset with many difficulties and I should like to refer to some of them briefly. In the first place, there is the problem of the investigating staff. In recent years, Government have appointed three Sub-Deputy Registrars per annum and have intimated to the Registrar and to us that we should

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organise not more than ten banks per annum. In the second place, it has been found on investigation that the establishment of primary banks is easier in certain areas than in others. We must be certain that the ryot has a reasonable chance of repaying what he has borrowed. We have, therefore, chosen areas protected by the delta systems, river channels and wells which are in a better position than areas which are purely rain-fed. It is therefore more difficult to grant loans in these areas. The Ceded Districts come under this category. They are all of dry tracts and rainfall is smaller than in any other part of the Presidency. Apart from this there are areas where the human element for the management of these institutions is lacking. Very careful preliminary investigation has to be made in this matter before a bank is started. Other difficulties that have been felt may also be mentioned. Some of the areas suggested for a bank include Zamindari and other estates which have not been surveyed and settled. This is a real and genuine difficulty in the working of land mortgage banks as the property to be mortgaged must be properly ascertained and defined in the records to which the public should have access. In the absence of this public record, we have to rely on village records for the identification of lands. Another impediment that has been felt is that many of the ryots in Zamindari areas have no pattas which is the root of title to the ryots. Unless we are satisfied that the lands proposed to be mortgaged are in the village accounts registered in his name as the owner of the property, we are not in a position to grant a loan. I beg to express the hope that land-holders in their own interests and in those of their ryots will have their estates surveyed and settled and also issue pattas to their ryots.

Finally, I should like to say that the exhortations made both by my esteemed friend Mr. P. T. Rajan, the Minister for Development, who opened the Conference in 1933 and also by Sir Hopetoun Stokes who opened the Conference last year have not gone in vain. Mr. Rajan said : "Of late there has been a tendency for politicians to enter the movement and consciously or unconsciously import parochial factions and controversies into the co-operative institutions. The results of such actions in cases which have been brought to the notice of the Government have been disastrous. Unless the tendency is checked and political factions are eschewed altogether, the whole movement will be heading towards inefficiency and barrenness." I entirely agree with his remarks. I am glad to say that so far as the Land Mortgage Banks are concerned, there has been little manifestation of these tendencies during the year though it must be recognised that the danger is there. On behalf of the Central Board, I beg to convey to the directors of the Primary Banks assembled here our sincere thanks for the good work turned out by them during the year. In opening the Conference last year Sir Hopetoun Stokes

said, "Everything, I consider, depends not so much on the existence of numerous institutions, as on the character and outlook of men who run them. If the management of such institutions is conducted with a single eye to its success, if considerations of caste, creed or political bias are absent, if personal animosities or faction can be excluded, then I feel no doubt that the enormous possibilities for good which the movement possesses will be realised, and in a generation, let us say, the problem of rural indebtedness will be well on the way to solution." I am glad that the Primary Banks have maintained a high standard of work in the management of the institutions under their care. I beg to express the hope that they will continue to do so. Land Mortgage Banking is much more complicated than ordinary Banking both in its accounting and legal technicalities and the Primary Banks have established a standard which is steadily maintained. It is a pleasure to state that the Primary Banks are not in arrears to this Bank.

The Hon. The Raja of Bobbili, K. C. I. F., made the following speech in opening the Conference.

#### RAJA SAHIB'S ADDRESS.

I am deeply thankful to my friends Sir Mocherla Ramachandra Rao and Dewan Bahadur Ramalingam Chettiar for the honour they have done me in having invited me to open the Sixth Annual Conference of the Land Mortgage Banks in this Presidency. After having listened to the interesting and illuminating address delivered by your President, I think it is needless for me to say much on the value and importance of Land Mortgage Banks as a vital element in the economic well being of the agriculturists and the ryots. I agree with him when he said that the movement stands to gain by an interchange of ideas with the Members of Government and by creating in them an interest in the work of these Banks. An occasion like this gives us an opportunity of learning directly the problems that beset you and of knowing how you solve them by your daily contact with the various issues that arise in your administration so that we may have the benefit of a practical knowledge of the difficulties which you may have ultimately to refer to the Government for their decision.

It is gratifying to learn that the success of the movement in our Province has stirred an interest in other Provinces and Indian States and it is even more so to know that Mr. Darling, an authority on subjects of this kind, should have said that our Province leads in this direction.

Of all Provinces in India, the Punjab claims to have the honour of having started the first Land Mortgage Bank in the year 1920, but this was not followed with earnest attempts to develop it. In our Presidency, the genesis and growth of the Land Mortgage Banks have been comparatively recent and are rather fresh in the minds of many present here. It

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was only in 1925, that the Government of Madras first approved the organisation of these Banks as an experimental measure in certain selected areas. Four primary banks were then sanctioned with a working capital of rupees one lakh each, which had to be found from share capital, deposits and debentures. In order to encourage the investing public to purchase these debentures, the Government then undertook to take up debentures to an amount equal to that issued to the public subject to a maximum of Rs. 50,000 in any one Bank. In 1927 the number of these Banks was ten. They, however, experienced difficulties in selling debentures locally in spite of Government assurances. Therefore, in pursuance of the recommendations of the Townsend Committee on Co-operation and the Royal Commission on Agriculture that the system of primary banks issuing their own debentures was unsound and that their issue should be centralised by the formation of a Central Land Mortgage Bank, the Government, in 1929, sanctioned the creation of this Bank to float debentures on the assets transferred to it by the primary Banks and to finance them out of the proceeds of such debentures, thus avoiding the flooding of the market with diverse, unco-ordinated debentures of competing primary banks. The work of this Bank has progressed satisfactorily since then. Thanks to the caution, energy and efficiency of those who have been in charge of the affairs of this Bank, the debentures now under circulation are, we are told, of the total value of about Rs. 59 lakhs.

The readiness with which the Legislative Council have endorsed the proposal of the Government to increase the maximum amount of guarantee of the principal of and interest on these debentures to rupees one crore and the fact that permission has been granted to the Local Boards and Co-operative Banks to invest an increasing proportion of their funds in these securities are certainly a testimony to the confidence in which the Bank and its management is held. The fact that your debentures are being looked upon as gilt-edged securities is certainly a matter for gratification to all those who are sincerely interested in the progress of Land Mortgage Banks. The fact also that insurance companies have now begun to interest themselves in these debentures is a welcome sign of the great potentialities for the future.

Both the Government of India and the Madras Government have been doing all that is possible to assist you and encourage you in your endeavours to tackle the colossal problem of agricultural indebtedness in our Province, and I am glad you appreciate their efforts in this direction. So far, your movement has not suffered owing to lack of funds and you can depend upon the Government to extend the existing guarantees to extent necessary in future also.

From your latest Annual Report, I find the total number of loans granted since 1929—30 is 2,778. It is therefore, no surprise that there should be certain amount of public criticism at the slow rate of progress ; but I have no doubt that the Government have been wise in regulating the rate of expansion and the management should be congratulated on the sound business principles they have followed, which alone have enabled them to build up the high reputation which the institution now enjoys. But now that the foundations have been well and truly laid, the time has come when more rapid expansion is not only justifiable but necessary. As regards the staff to be provided by the Government, I can assure you that the Government can be expected to follow a liberal policy in the future as they have done in the past and to provide you with all facilities consistent with their responsibilities to the general tax-payer.

I am one of those who have always felt that this problem of agricultural indebtedness cannot be effectively tackled without the co-ordination of the various credit facilities in our Province, and without a machinery to scale down debts in view of the phenomenal fall in land values. I agree with the views of your President that no scheme of debt conciliation can be effective without the provision of adequate funds. The Government have already realised this necessity and have amended the Agricultural Loans Act so as to include indebtedness also within its scope. I hope the Debt Conciliation Bill now being ably piloted by my friend Diwan Bahadur Ramalingam Chettiar would become law in January next and that by the beginning of the next official year the machinery for debt conciliation would be in full working order.

When I say that there should be co-ordination between various agencies for reduction of agricultural debt, I feel that it is equally necessary that there should be no conflict between the various organisations and their sphere of activities should be well defined. Co-operative banks should confine themselves to short term credit on personal security and the recent tendency to extend the credit by renewing the loans on taking security of immoveable property is to be deprecated. So also the activities under the Agricultural Loans Act should be confined to loans not exceeding Rs. 2,000 so that, these activities do not trespass into the legitimate sphere of the land mortgage banks. The limit of the loan that could be borrowed by any individual from these banks should be raised to Rs. 10,000 generally.

The gradual reduction of the rates of interest to the actual borrower is a welcome sign of progress. Theoretically co-operative banking, if run on scientific and business lines, should make it unnecessary for any legislation to check usurious rates of interest. It is well to realise that we are far from that ideal state of affairs. By saying so it is not my intention to lay the blame at the door of the co-operative movement, but

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only to point out the magnitude of the task before us, so that the public would realise that the problem has to be tackled in all seriousness.

Some of the criticisms against the Central Land Mortgage Bank and the primary banks are, that so far only 2,778 loans have been granted during the last five years, that there is great delay in disposing of loan applications and that loans are granted only up to 40 per cent of the value of the property to be hypothecated. As regards the first point, in my view, more rapid progress will not be possible without the primary banks having a well trained and qualified staff and without more direct control from the central institution that has been possible in the past. Progress in the directions indicated by me would, I am sure reduce the delays which, as you will realise, are inevitable in any movement during its fancy. Now that there are signs of the depression lifting and since prices are going up, I would earnestly suggest to this Conference to consider the desirability of raising the amount of loan to be given to 50 per cent of the value of the property. With these measures and with the help of the machinery under the Debt Conciliation Bill, I have no doubt you will be able to help just that class of agriculturists who are in greatest need of such assistance. There is a feeling in the country both with regard to loans granted by your banks as well as by the Government under the Agricultural Loans Act, that the poor ryot who has no influence finds it difficult to get timely loans. I am not in a position to state categorically how far this criticism is justified, but I only mention it with the hope that you will make special efforts to efface that impression. I would also suggest for your consideration that you should give preference to loan applications for repaying existing debts as opposed to borrowings for embarking on new improvements.

I realise the special difficulties pointed out by my friend Sir Ramachandra Rao in the way of starting primary banks in the dry areas. The need of the ryots in those parts, where nature has been less generous, is as great, if not greater, than other areas and I appreciate the efforts that have been made by you in the recent past to extend the benefits of your institution to this area also. Your President has mentioned some of the difficulties met with in Zamindari areas. Regarding survey and settlement operations, since the War, their cost has become very prohibitive amounting, in some cases, to as much as Rs. 3,220 per square mile. From this you will realise that in these days of depression when landholders are not in a position to realise their full rents and have to give concessions either by remissions or by allowing arrears to get time barred no estate would be able to undertake this burden. But I can state from my experience of well managed estates, that there will be no difficulty in identifying the holdings and if necessary such individual holding can be surveyed. When Sir Ramachandra Rao has said that in many zamin areas no pattas are issued, I am afraid he has made a rather sweeping

statement. Under the Estates Land Act, land-holders are bound to issue pattas on demand and in cases where this provision is violated, if you bring the matter to the notice of the public, you will be doing a service both to the land-holders and the ryots. The one defect, which I am aware of, is that alienation of holdings by sale are not brought to the notice of the land-holders to enable them to bring the records up to date. To help the extension of your activities to Zamindari areas, certain amendments were carried out in the Estates Land Act (Amending Act of 1934) to give notice in the official gazettes of sales of holdings and to compel land-holders to register patta transfers through the agency of the Registration Department. I am sure this measure would result in removing to a large extent the special difficulties you meet with in Zamindari areas.

I have made the above observations not without considerable hesitation before this Conference of experts, and not in a spirit of criticism, but only to place the point of view of the general public for your information and consideration. It is a matter for gratification for one and all that Madras is giving a lead to the rest of India in the work of land mortgage banks and thanks of the Government and the public are due to the management for the efficiency and business like manner in which they have discharged the trust placed in their hands. With the passing of the recent amendment to the Agricultural Loans Act and the coming into force of the Debt Conciliation Bill and the co-ordination of all the various agencies for agricultural credit, I have no doubt, the scope and field of activities of the Land Mortgage Banks would be considerably extended and I think we can legitimately feel that we are now in a position to effectively deal with the problem of relieving the ryot from the burden of indebtedness. At the present juncture, I am sure, you will all agree with me that the greatest benefit that can be conferred to the masses is in this direction and I have no doubt that with the friendly co-operation between the Government and the Central Land Mortgage Bank, which has always been a happy feature in this Province, great progress would have been made by the time when you meet for a similar conference next year.

I assure you that it shall be my earnest endeavour to do all that lies in my power as a Member of the Government and as the Leader of the Justice party to assist you in your efforts to relieve suffering humanity. My services are always at your disposal. I once again thank you for giving me this opportunity of associating myself with this function and I have now great pleasure in declaring the Conference open.

The Conference then adopted the following decisions on the subjects that were on the agenda for discussion.

1. Contribution by the Central Land Mortgage Bank and Primary Banks for the Government staff—Orders of the Government.

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The Conference requests the Government to reconsider its decision that the Bank should contribute towards the cost of the outdoor staff in view of the fact that the Bank is doing the work of relieving indebtedness which is its legitimate work, that it has guaranteed the debentures and that the Bank has to build up a strong reserve and provide for a building of its own.

In the meanwhile, the Conference requests the Government not to insist on the contribution on the outstanding that the amount of contribution demanded may be added to the Reserve Fund. (*Passed unanimously*).

2. Surplus funds of Primary Banks—investment in Central Land Mortgage Bank as share-capital and time deposits.

Primary Banks may loan their own surplus share capital subjected to the applications being investigated in the same way as applications sent to the Central Bank and being sanctioned by the Central Bank.

(*Passed by a large majority.*)

3. Nomination of two directors to the Primary Banks.

The Conference is opposed to the nomination of Directors to the Boards of Management of the Primary Banks and requests the Registrar to delete the provision in the model bye-law.

4. Revaluation of mortgaged properties—whether necessary every year for all classes.

The present procedure may be followed.

5. Reduction of the rate of interest on loans bearing higher rate of interest—supplemental bonds.

Effect may be given to the resolutions reducing interest from the dates of the resolutions and the Primary Banks may take the supplemental bonds as soon as possible.

6. Alienation of mortgaged properties—taking bonds from alienees—whether partial alienation should be allowed.\*

No fractional alienation can be allowed without the previous consent of the Central Land Mortgage Bank.

7. Acceptance of houses in urban areas as additional security. In exceptional cases, if  $\frac{4}{5}$  is land,  $\frac{1}{5}$  of the security may be accepted in the form of house property in urban areas.

8. Price of paddy—proposal to value at Rs. 4 per bag.

The Deputy Registrars may be asked to enquire and report with reference to each district.

9. Filing of original deeds or registration copies in the case of immediate documents of title.

The present practice will continue.



10. Model bye-law No. 49—prescribing time within which action should be taken. (Registrar's letter).

The suggested amendment is approved.

11. Reduction of rate of interest to the ultimate borrower to 5 per cent.

The Conference is of opinion that the Central Bank should retain only 1 per cent on the loans so that the ultimate borrower may be lent at  $5\frac{1}{2}$  per cent.

12. Period of loans to be increased to 30 years.

Not pressed.

13. Issue of debentures by the old primary banks—permission to be given.

Only two voted for it. A large number against.

14. Speeding up of the sanction of loan applications.

After some discussion and the Vice-President stating that the President and Executive Committee will consider it the matter was dropped.

15. Loans on Mokasa Land.

Deferred.

16. A Director in the Central Land Mortgage Bank for the districts of Madura, Ramnad and Tinnevely.

There is one already.

## The Erode Co-operative House Mortgage Bank, Limited.

(Formerly The Erode Co-operative Building Society, Ltd.)

(Estd. 1924.)

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The place for safe investment of Long Term Funds—  
Secured by First Class First Mortgage outstandings and  
Assets of the Bank—of special advantage and convenience  
to Government officials and employees.

**Fixed Deposits for 10 years at  $5\frac{1}{2}$  % per annum required.**

**Interest payable half-yearly.**

*Particulars from the Secretary,*

E. S. GANAPATI AIYAR, B.A., B.L.,

*President.*

# The South India Co-operative Insurance Society, Ltd.

(Report for the Co-operative year ending 30th June, 1935.)

## DIRECTORS' REPORT.

*Membership and Share Capital*:—The Society has 2,226 members,—2190 individuals holding 7,664 shares, and 36 institutions holding 37,000 shares. The total paid up share capital of the society is Rs. 44,664. The value of each share is rupee one, fully paid up.

*New Business*:—During the year under report, the Society received 1439 proposals aggregating to a sum of Rs. 11,77,100 as against 1,072 proposals amounting to Rs. 8,96,950 for assurance in the previous year. (Out of these and other proposals pending at the beginning of the year, 1,067 proposals assuring a sum of Rs. 8,62,350 resulted in policies. Of the rest, 137 proposals amounting to Rs. 1,03,650 have since resulted in policies in the current co-operative year. Out of the remaining, some were declined or accepted on terms which were not agreed to by the proponents or were awaiting completion. The total paid up business in the books of the Society as on 30-6-1935 amounted to Rs. 21,62,700, in 2,520 policies. It will be found from the following comparative statement that the progress of the Society continues to be satisfactory and encouraging.

Year	Proposals received		Policies issued	
	No.	Amount.	No.	Amount.
1932—33 (15 months)	909	8,74,100	637	6,33,500
1933—34	1,072	8,96,950	816	6,66,850
1934—35	1,439	11,77,100	1,067	8,62,350

*Income and Life Fund*:—The premium income for the period under report was Rs. 83,946-11-0 and the total income from all sources amounted to Rs. 87,124-4-6. Life fund at the end of the period stood at Rs. 41,879-7-11, three and a half times greater than that at the end of the preceding year.

*Investments*:—The funds of the Society have been invested in Government Promissory Notes, Post Office Cash Certificates, Debentures of the Co-operative Central Land Mortgage Bank and in Fixed Deposit in approved Co-operative Institutions. It is gratifying to note that the investment on G. P. Notes has considerably appreciated in value and according to the market rates as on 30-6-'35 the appreciation amounts to

Rs. 11,266-3-6. Another significant feature in the statement of accounts for the year under report is that after setting apart from the premium income the life assurance fund as per the provisions contained in the bye-laws and meeting all liabilities, a surplus of Rs. 3,104-9-4 is left over to be carried to the working fund, as against Rs. 979-6-0 in the preceding year.

*Claims*:—Seven claims to the extent of Rs. 5,500 have arisen during the year by the death of policy-holders, out of which three claims for Rs. 2,500 were settled and the remaining four are pending settlement for want of production of necessary documents and particulars.

*Introduction of New Plans of Assurance*:—During the year new plans of assurance were introduced to meet the requirements of the policy-holders and the insuring public. These new plans of assurance are (1) Legacy Policy for children (2) Childrens' Educational Annuity (3) Pension Policy (4) Joint Life Policies under Endowment Plan (5) Annuity contract etc. It is hoped that the public will avail themselves of the new schemes of Assurance, and make them popular.

*Conclusion*:—The Board of Management express their grateful thanks to all those who have contributed to the progress of the Society since its inception. The management feel confident that with the continued co-operation of the policy-holders, field workers and other well-wishers, the Society shall produce better results in future.

## The Mysore Journal.

BANGALORE.

Published on the 7th of each month.

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BANGALORE CITY.

*Speech delivered by Mr. V. Ramadas Pantulu, President of the Society  
at the Third General Body Meeting held on 3-11-'35.*

GENTLEMEN,

The Third Annual Administration Report of the Society for the co-operative year ended 30th June 1935, together with the connected statements, will be presently placed before you for your consideration and adoption. Last year, I drew your attention to some of the salient features of the policy and programme of this society. We have been steadily endeavouring to extend to insurance business the co-operative spirit and principles, which underlie that policy and programme.

We commenced business on 15-3-1932 and up to the end of June 1935 we have placed in our books paid up business to the extent of Rs. 21,62,700 in 2,520 policies. In attracting this business we have kept in view our goal to cater mainly to the needs of the lower middle and poorer classes by encouraging small policies and extending the benefits of life assurance to rural population. An analysis of the policies issued\* between 15-3-1932 and 30-6-1935 will show that policies below Rs. 2,000 represent the bulk of our business.

As regards premium rates, I desire to draw once more pointed attention to the fact that we have fixed them at the lowest possible level, consistent with the financial stability of the society and the interests of the policy-holders themselves. But I now find from our experience that this feature of the society is not adequately appreciated by the public. A low premium is an immediate and certain bonus, the benefit of which the assured derives on each occasion he pays an instalment of his premium. But the average policy-holder does not seem to grudge to pay larger premiums in the hope that they will bring higher bonuses. I would like to impress upon the public the many advantages which policy-holders will derive by insuring with companies which are otherwise sound and whose premiums are lower. A careful investigation into the actual financial benefits received by the policy-holders who pay higher premiums in the shape of large bonus will show that such benefits are not commensurate with the rates of premium they pay. I hope our agents will work out mathematical tables, which will clearly demonstrate the financial benefits which our society confers by its lower premiums. God willing, at the very first valuation, which I hope will take place at the end of the current co-operative year, this society will be able to declare as good a bonus as companies which levy higher premiums have done.

It is gratifying to note that we have been able to work within the statutory limits of expenditure on our organisation and management,

\* Classification of the Policies issued during the period 15-3-1932 to 30-6-1935 according to sums assured:--

	No.	Amount.
Policies below Rs. 500 . . .	183	49,300
Policies of Rs. 500 and above but below Rs. 1000.	1,090	5,55,450
Policies of Rs. 1,000 and above but below Rs. 2,000.	1,029	10,49,950
Policies of Rs. 2,000 and above . . .	218	5,08,000
Total ..	2,520	21,62,700

prescribed by our bye-laws. Our total expense ratio to total premium income works out to somewhere about 54 per cent, which is much the same as that for 1933-34. But during the year under report, we have considerably improved and extended our organisation involving relatively larger expenditure than last year, the results of which can only be seen in the current co-operative year. Moreover we have excluded our outstanding premiums from our income figure in this calculation. I therefore consider that the maintenance of the expense ratio of management at the same level as last year, notwithstanding the additional expenses on the extended organisation, is a satisfactory feature.

During the year under report, we have introduced the following new plans of assurances: (1) Children's Education Annuity; (2) Joint Life Endowment Assurance; (3) Annuity Contracts etc. Certain other schemes, such as Fidelity Guarantee Insurance, Insurance among the Industrial and rural labour and Insurance to cover risk against accidents to Industrial Workers are engaging the immediate attention of the Board.

I desire to acknowledge with gratitude the encouragement which some of the District Boards have given to the Society in pursuance of the circular issued by the Inspector of Local Boards. But there are still some District Boards who have not placed the Society on their approved list for enabling their employees to insure with us and divert their provident fund contributions towards insurance premia. I earnestly hope that they will do so in the near future.

I am glad to say that the Registrar and a few of the Departmental Officers continue to take interest in the working of the Society. But I feel that they can and ought to do a great deal more, specially because the progress made by the Society in the last 3½ years has amply justified the optimism and confidence of Mr. D. N. Strathie, I. C. S. who registered it against much expert advice and to whom the credit of envisaging the potentialities of co-operative insurance must be unstintingly given. This Society is a special type of non-credit society, which is a potent instrument for the encouragement and promotion of thrift and saving among the poorer classes and as such I feel that it deserves encouragement from the public and the department in a larger measure than has been hitherto forthcoming.

In conclusion, I hope and trust that our Organisers and Agents will realise that they are working for the realisation of ideals which are very different from those of commercial insurance companies and that they are engaged in genuine co-operative service to the poor among the rural and urban people. This is a noble work behind which is not merely the stimulus of the coin, but idealism and ideology of a new socio-economic philosophy of human life—Co-operation. I therefore beg to repeat my appeal to co-operators, official and non-official to spread the gospel of co-operative insurance and to consolidate and improve the working of the Society. Our aim is not the commercial exploitation of the social needs of the mankind in the sphere of insurance, but the satisfaction of the needs of the community by co-operation, eliminating profit motive and high dividends on capital and making insurance both cheap and safe by pooling all the benefits of the concern for the exclusive advantage of its members. In this endeavour, we want all the sympathy and support we can get from co-operators and the general public.

## Registrars' Administration Reports.

### CO-OPERATION IN THE U. P. FOR 1933-34.

In the United Provinces in addition to the ordinary inspectors there was a staff of five special inspectors, of whom one was in charge of adult education in the Masodha area in Fyzabad District, one in charge of subsidiary industries in Sitapur District, one in charge of the textile societies, one in charge of leather societies, (tanning) in certain areas and the fifth was a lady-inspector, who supervised women societies. Two other posts of this cadre, though sanctioned, were not filled up, one for agricultural propaganda and another for consolidation of holdings.

There were five lady-supervisors of whom two were being paid by the U. P. Co-operative Union and three from the Rural Improvement Fund. The Registrar's report says that it is very difficult to get suitable women supervisors, that the existing ones are insufficiently educated and that but little progress can be recorded under this head.

The state of credit societies, rural and urban, is not very different from that in other provinces. Overdues are mounting high, but the Registrar points out, however, that the resources available are sufficient to meet all possible losses. The urban credit movement appears to be decidedly weak in the United Provinces. There were in all only 73 non-agricultural limited liability societies, whereas in Madras there were more than a thousand. The United Provinces contain many cities and big towns, and the scope for development appears to be quite large. Obviously more propaganda is necessary.

One of the most interesting developments during the year under review was the increase of cane supply societies from 26 to 111. "The new societies are centred round the Co-operative Sugar Factory of Biswan. The organisation is the usual one of one village one society. The society makes advances to the growers and sells them improved seed on the security of their crops and acts as the agent for its sale to the factory. No commission is charged from the growers but instalments of the shares are taken by collecting one seer extra per maund of cane purchased. The market price is paid, and arrangements are made through a paid staff for fixing the dates of supply and for organizing delivery to the factory. The staff consists of a supervisor for every 25 societies on an average and its cost is met from the commission of one pie per maund which is payable by the factory." The organisation of these societies is due to the remarkable development of the sugar industry during the last three years. A society on these lines has been started in our province in Hospet, and there would appear to be room for many more. It is said

that supplying cane to a factory is more profitable than making jaggery, and therefore it is only with the surplus cane that jaggery is made.

Another interesting kind of society peculiar to the United Provinces is the ghee supply society. The number of such societies during the year under review was 30, the total membership 703 and the profits realised Rs. 7,000. It is said that the ghee supplied by these societies has now an established reputation and fetches a good price. There were nine small poultry societies including a union at Etah. But they do not seem to be prospering. "The turnover is too small for the societies to be run on proper business lines—the main problem here as with most sale societies is that of marketing." Instruction in poultry keeping is provided in the United Provinces upto a higher standard than anywhere else in India, and it is therefore particularly disappointing to read that the poultry societies are not faring well.

Perhaps the most interesting type of society to be found in the Provinces is the better living society. Better living societies began to be organised only six years ago and at the end of 33-34 there were 481 of them, with a membership of 12,200. These societies tackle the problem of village welfare from as many sides as possible. Generally in each village with this type of society there is a panchayat with subordinate committees for agriculture, sanitation, adult education, physical culture, arbitration and community singing. For 2 or 3 adjacent societies an assistant village guide is appointed on a salary of Rs. 7 per month and for 20 to 25 societies there is a supervisor. At the end of 33-34 these societies maintained 225 adult schools, some of which were intended for women. Economies are reported in 4,226 ceremonies. Fines amounting to Rs. 161 were inflicted in 43 cases of undue expenditure on ceremonies.

Improved varieties of sugar cane and wheat are in general use among members of societies and a large number of improved ploughs and other implements are also in use. "Five hundred and seven new masonry wells were constructed and 803 wells bored. Two hundred and fifty six improved irrigation appliances were introduced. The number of irrigation societies rose from 20 to 27. The Moradabad societies jointly constructed 14 wells, and the central society at Ittarchandi which has four primary societies for constructing *bandhs*, for realising irrigation charges and for keeping the main channels in order, achieved a considerable measure of success."

The report speaks with regret that while the old band of voluntary workers still continues to give devoted service, new recruits are not forthcoming. It is a great pity. "There must be a large volume of unmobilized patriotism in the country and all that should be wanted is earnest propaganda—in cities, villages, colleges and schools to organise it and bring it within the co-operative fold."

It is needed everywhere, and the Registrar and the recognised non-official leaders will do well to set about this propaganda.

## CO-OPERATION IN THE COCHIN STATE FOR 1933-34.

During the year 1933-34, the number of co-operative societies in Cochin State increased from 256 to 257 and the working capital from Rs. 24·2 lakhs to Rs. 25·6 lakhs, but the total transactions decreased from Rs. 85·77 lakhs to Rs. 70·94 lakhs. This was due to the stoppage of book adjustments, which seems to have been allowed to a very great extent previously. Though the total transactions fell considerably the net profits of the societies increased from Rs. 57,044 to Rs. 62,924. The explanation for this curious phenomenon is that on account of the stoppage of book adjustments, overdues and penal interest leviable on them increased and brought in increased profits! Of the 257 societies 132 were agricultural credit societies and 92 non-agricultural credit societies and of the latter 43 were those of depressed classes and 10 of fishermen. The depressed classes societies appear to have but a nominal existence. They had 1,725 members but their total transactions during the year amounted only to Rs. 6,142.

This is the last report of Mr. R. A. Gayatrinatha Aiyar who was for many years the Registrar of Co-operative Societies in Cochin. He feels very disappointed that with such a highly educated population, Cochin has not made the advance in co-operation that it was expected to make. He observes, "Co-operation cannot succeed so long as the sole responsibility is thrown on Government. It is the peoples' concern and the people for whom it is intended seem to look upon it as a Government concern. So long as the people do not take it as theirs and utilise its immense possibilities there will be no success."

## Review.

**Co-operative Balance Sheets, a Self-Instructor.**

By Kastury Audumarayana, Non-credit Senior Inspector of Co-operative Societies, Rajahmundry. **Price Rs. 2.** Available with the Author.

The book deals mainly with the preparation of accounts under the Co-operative Societies Act, which may be said to be quite different from the procedure adopted in Joint Stock Companies following the Double Entry System of Book-keeping. The various expressions and the nomenclature used in the book refer only to Co-operative Institutions as the Urban Societies, Central Banks, etc. The author, being an experienced teacher, has used throughout a lucid style so as to enable even an average student to understand the subject for his examination. The book will be a very useful guide to the student of co-operation as also to the Audit Inspectors, who have to conduct the audits of several Co-operative Societies and banks.

*C. S. Sastri.*



## News and Notes.

Explaining the objects of 'Debt Conciliation in the Madras Presidency' in November last at the Madras Economic Association, Diwan Bahadur T. A. Ramalingam Chettiar observed that there was a hopeful change between the time when he first introduced the Bill into the local Legislative Council and now, for the Government themselves were prepared to give financial assistance to debtors whose debts could be scaled down to Rs. 2,000.

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There is a certain amount of dissatisfaction in the Nizam's Dominions that the co-operative movement is not working properly, particularly in the rural areas. The Government have therefore decided to appoint a Committee consisting of seven leading co-operators of India and Mr. M.S. Fazlulla, Registrar of Co-operative Societies, Hyderabad, to enquire and report on the working of the movement and make any recommendations which they think necessary.

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A society by name 'The Krishna Crop Loan and Sale Society' has been started with its office at the Krishna Co-operative Bank, Masulipatam. It was registered three months ago. Its membership is open to individuals as well as co-operative societies. The value of a share is Rs. 10 and the entrance fee per share is As. 4. Loans are given on the pledge of produce stocked in approved godowns and without demanding sureties or the security of lands. The amount of the loan will depend on the value of the produce pledged. It is not necessary for the borrower to possess more than one share. The area of operations of the society is confined to the taluks of Gudur, Kaikalur, Masulipatam and Divi.

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The Madras & Southern Mahratta Railway Employees' Urban Bank, Madras, is the biggest urban bank in the whole of the presidency. It had completed its twenty-ninth year and had 17,730 members with a paid-up share capital of Rs. 7,69,210 on the last day of the last co-operative year. During the year under report the Bank issued short-term loans amounting to Rs. 1,57,300 and long-term loans to the extent of Rs. 30,92,200. Rs. 1,62,034-3-0 under short-term and Rs. 26,47,824-2-0 under long-term were received towards repayment. The percentage of balance to demand under principal was 4 per cent and that of interest was also the same. The working capital of the Bank exceeded Rs. 31 lakhs. The Bank made a net profit of Rs. 1,30,056-10-0.

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During the year 1934 there was a phenomenal increase in China in the number of co-operative societies and their membership. The number of societies increased by about 9,000 to 14,649 and their membership by

about 370,000 to 557,521. The development of the societies is much greater in some provinces than in others as is to be expected from the unsettled political conditions prevailing in the country. Credit societies predominate as in India, forming 67 per cent of the total number. Production and marketing societies formed 8'6 and 7'2 per cent respectively—better in this respect than our country is.

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The Madras Handloom Weavers' Provincial Co-operative Society's Supervisor of Production Societies paid a visit to Aruppukottai and made investigations regarding the condition of weaving industry in that area. Speaking at the Labour Association he explained in detail the aims and objects of the Provincial Society and how the Government of India intend to assist the handloom weaving industry which was in a very lamentable state. It was only through co-operative institutions the handloom industry could be restored to its ancient glory. A number of prominent members among weavers also spoke on the occasion. Mr. V. Sitarama Servai, who presided on the occasion, in his concluding remarks appealed to the weavers of Aruppukottai to organise and avail themselves of the opportunity offered by the Government to the weaving industry.

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The South Arcot Co-operative Central Bank, Cuddalore, on the 30th June 1935 had 714 members with a paid-up share capital of Rs. 3,18,728. Compared with 1933-34 there was a slight fall in both membership and share capital. It issued loans during the year amounting to Rs. 1,22,952 both to individuals and societies and recovered in all Rs. 2,22,619 towards repayment of loans. The percentage of balance to demand worked out at 84'9 under principal and 33'6 under interest. Such a large percentage of balance could only be traceable to the economic depression. The Bank during the year under review granted various concessions to the societies such as reducing the lending rate etc., to give relief to the borrowers. As the condition of the ryots is not improved as yet, it is proposed to extend the same concession to the current co-operative year also. During the year the scheme of forming only one union for each of the eight taluks in the district was completed. The scheme of rectification formulated by the Registrar in 1933-34 was introduced all over the district and loans amounting to Rs. 6,60,295-5-0 were examined under the direct supervision of the Executive Officer. The Bank earned a net profit of Rs. 18,000 in spite of the reduction in lending rate and special concessions given to societies.

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The Salem District Urban Bank issued loans to the extent of Rs. 11,22,411 during the year 1934-35 and recovered Rs. 10,42,148. The percentage of balance to demand worked out to 40'4 under principal and 5'6 under interest. The Bank had heavy surpluses at the beginning of the year and on the advice of the Registrar the Bank stopped both

taking in fresh deposits and renewing existing deposits, with the result that the surpluses vanished even before the close of the first half-year. As a result of its reducing its lending rate in January 1935, there was an increase in demand for fresh loans from the societies. Then the Bank, after taking the permission of the Registrar, recommenced to take deposits to meet the demand of the societies. But due to its previous action it was not able to attract from the public large amounts as they had already found fresh avenues. Therefore the only course open to the Bank was to take loans from the Madras Provincial Co-operative Bank. Of all the unions in the district Rasipuram Union showed the best results in the matter of collection and retained the cup which it won last year. The Rural Reconstruction work which the Bank was carrying on at Komaragoundanvalasai was not satisfactory as sufficient provision was not made for it out of the Bank's Common Good Fund. The Bank celebrated its Silver Jubilee during the year under review. The Bank made a net profit of Rs. 25,479-2-0 excluding the amount carried to Bad Debts Reserve.

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The Directors of the Krishna Co-operative Bank, Masulipatam, report that during the year 1934-35 the collections were better than in the previous year with the result that the proportion of overdues was reduced under principal from 65.5 to 61.1 and under interest from 22.3 to 9.5. As per the Joint Registrar's scheme, the staff of the Bank examined the loans of 86 societies. The amount of bad debts in these societies is estimated at not more than Rs. 28,643 out of Rs. 3,54,870. The societies of Vadapalli group were placed under the management of an employee of the Bank, as considerable loss to the Bank was feared from these societies. This step has happily resulted in the collection without much difficulty of certain amounts which had been considered as bad debts. The report speaks with satisfaction about the work of its administrative section, which it intends to strengthen, especially as the District Federation has been abolished and its duties have devolved on the Bank. It proposes also to convert its present "Co operative Sheet" into a regular journal so that it may better serve the purpose of co-operative education. The Bank has so far brought out 8 books and pamphlets in Telugu to help in co-operative education. After carrying Rs. 35,666-12-0 to the bad debts reserve (and thus bringing it up to Rs. 65,000) the Registrar has declared the net profit of the Bank to be Rs. 18,412-2-0, out of which the Directors propose to declare a dividend of 5 per cent as against 4 per cent of last year. In view of the contraction in its transactions the Bank requested the Registrar to permit it to reduce its share capital. But as he did not do so the Bank appealed to Government and submitted a memorandum to the Minister. He was pleased to permit the proposed reduction not at once but gradually in the course of three or four years, for which the Bank was asked to prepare a scheme. The Bank did so

and as the first step in the process the share capital of 5 societies was reduced by Rs. 10,224 with the approval of the Registrar.

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The first conference of the Young Co-operators' League was held on the 7th October last at the Y. M. C. A. Buildings, Esplanade, Madras, under the presidentship of Mr. S. Anantarahavan, M. A., B. L., one of the Secretaries of the League. The Conference was opened by Mr. V. Ramadas Pantulu who gave expression to robust optimism regarding the future of the co-operative movement and exhorted the youth to acquaint themselves with the aims, principles and methods of co-operation, so that they may qualify themselves to occupy positions of trust and responsibility in co-operative service in course of time. Mr. V. T. Arasu, M. L. C., who was the Chairman of the Reception Committee regretted that the co-operative movement in India was practically confined to the provision of credit, and that Madras was behind other provinces in the matter of non-credit co-operation and made the curious complaint that some half a dozen gentlemen had kept all positions of trust and honour in their hands refusing opportunities to young men to gain experience and serve the movement. Srimati Kalyanasundari Sitaram, B. A., who was the Chairwoman of the Women's section also welcomed the delegates and urged the girls studying in schools and colleges to get trained in their school and college stores and also to start co-operative messes for their own convenience. She pleaded also for the starting of co-operative kitchens for the convenience of the middle class and other families. Mr. Anantarahavan suggested in his speech as measure for relief of unemployment for educated youngmen the starting of co-operative laundries, restaurants and dairies. He appealed also to the women delegates to take a due share in the movement as the women of the West were doing.

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Hangya, the co-operative organisation of Hungary which looks after the needs of rural areas, has established a model co-operative district, consisting of 12 communes, the progress of which is being watched with the utmost interest by Hungarian co-operators as well as national economists. "In the centre of this district, at Bekescaba, is a district manager, in whose hands are concentrated all activities for the furtherance of co-operation amongst the population. The district manager procures for the *Hangya* Co-operative Societies of the 12 villages, first of all, the necessary goods for consumption as well as those required by the farmers for production. At the same time he directs the collection for the market of the surplus supplies of the 12 co-operative societies, under the guidance and instruction of the appropriate department of the *Hangya*. These goods include eggs, poultry, down, cereals, vegetables, cattle, pigs, honey, fruit, wine, medicinal plants, etc. Special attention is devoted to the marketing, also through the *Hangya*, of the products of the various handicrafts carried on in the villages. The adjustment of agricultural production in conformity with the demand is effected through the collaboration of the experts of the respective Chambers of Agriculture. In the centre of the model district a Co-operative House will be erected, providing accommodation for the *Hangya* Co-operative Store, a Co-operative Inn, the local credit association, the chief agency of the Farmers' Insurance Society, as well as the agency to the latest institution established by the *Hangya*, i.e. the Provident Society, which provides burial, marriage, and relief allowances for its members."

# THE MADRAS JOURNAL OF CO-OPERATION

## List of Societies Registered during October last.

S. No.	Name.	District.
1.	Marlapudi Co-op. Credit Society	... Nellore.
2.	Government Madrasa-i-Azam Students Co-op. Stores.	Madras.
3.	Anantapur Co-op. Crop Loan and Sale Society	... Anantapur.
4.	Rayachoty Government Training School Co-op. Society.	Cuddapah.
5.	The Alamuru Co-op. Better Living Society	... E. Godavari.
6.	Kirlampudi Sugarcane Growers' Co-op. Society	... "
7.	The Katheru Weavers' Co-op. Purchase and Sale Society.	...
8.	The Kurnool Handloom Carpet Weavers' Purchase, and Sale Society.	Kurnool.
9.	The Gurusarajapettai Weavers' Co-op. Purchase and Sale Society.	North Arcot.
10.	The Minnal Panchamuga Vinayagar Weavers' Co-op. Purchase and Sale Society.	...
11.	The Wandiwash Taluq Co-op. Land Mortgage Bank.	...

## List of Societies whose Registration has been cancelled in October last.

Name of the Society.	District.	Date of Cancellation.
1. S. D. Krishna Khadder Co-op. Stores, Ltd.	Tinnevely	... 1-10-35.
2. Trichinopoly Muhammadan Fishermen Co-op. Society.	Trichinopoly	.. 1-10-35.
3. Tirupati O. F. L. M. Co-op. Society, Ltd.	Chittoor	.. 2-10-35.
4. Central Co-op. Printing Works, Ltd.	Madras City	.. 2-10-35.
5. Maunur Co-op. Society	... Chingleput	.. 3-10-35.
6. Paramanatham Co-op. Society	... South Arcot	.. 3-10-35.
7. Madavanthangal Co-op. Society	... Chingleput	.. 3-10-35.
8. Pakkam Co-op. Society	... "	.. 3-10-35.
9. Conjeevaram C. S. M. School Students' Co-op. Stores, Ltd.	.. "	.. 4-10-35.
10. Mayanur Co-op. Society	... Trichinopoly	4-10-35.
11. Viliandai Co-op. Society	... "	.. 4-10-35.
12. The Coimbatore Co-op. Training Society, Ltd.	Coimbatore	.. 5-10-35.
13. Harpanahalli Local Board Employees' Co-op. Society, Ltd.	Bellary	.. 5-10-35.

# LIST OF SOCIETIES REGISTERED AND LIQUIDATED

14.	Kalisipudi Co-op. Society	...	West Godavari.	5-10-35
15.	Varadarajapuram Co-op. Society	...	Tinnevelly	... 5-10-35.
16.	Kuvathur Co-op. Society	...	Chingleput	... 7-10-35.
17.	Thazacode Co-op. Society	...	Malabar	... 8-10-35.
18.	Adoni Local Fund Employees' Co-op. Society, Ltd.	Bellary	...	8-10-35.
19.	Kailasapuram Co-op. Society, Ltd.	...	Tinnevelly	... 8-10-35.
20.	Alur Government Servants' Co-op. Society, Ltd.	Bellary	...	9-10-35.
21.	Kadappakam Co-op. Society	...	Chingleput	... 10-10-35.
22.	Ariyur A. D. Co-op. Society	...	North Arcot	... 10-10-35.
23.	Udamalai Kallpalayam Co-op. Society.	Coimbatore	...	11-10-35.
24.	Tanippundi Co-op. Society	...	Chingleput	... 11-10-35.
25.	Sydapuram Soap Stone Quarry Workers' Co-op. Society, Ltd.	Nellore	...	13-10-35.
26.	Chilamathur Co-op. Society, Ltd.	...	„	... 15-10-35.
27.	Sri Ramankulam Co-op. Society	...	Tinnevelly	... 16-10-35.
28.	Madras Tailors' Co-op. Society, Ltd....	Madras City	...	16-10-35.
29.	Kenthola Co-op. Society	...	Nilgiris	... 17-10-35.
30.	Kavali Co-op. Cotton Stores, Ltd.	...	Nellore	... 17-10-35.
31.	Cheruvannur Co-op. Society	...	Malabar	... 22-10-35.
32.	Annapurna Co-op. Building Society	...	Tanjore	... 23-10-35.
33.	The Erode Co-op. Stores, Ltd.	...	Coimbatore	... 28-10-35.
34.	Kudligi Local Co-op. Union	...	Bellary	... 28-10-35.
35.	Navaladi Co-op. Society	...	Tinnevelly	... 29-10-35.
36.	Kambliampatti Co-op. Purchase and Sale Society, Ltd.	Coimbatore	...	29-10-35.
37.	Silavatham Co-op. Society, Ltd.	...	Chingleput	... 29-10-35.
38.	Naranapuram Co-op. Society	...	Tinnevelly	... 31-10-35.

## Registrar's Circular.

The Registrar has issued instructions (Memorandum S. No. 5260/35 dated 1st November 35—subject: Relief to borrowers—reduced rate of interest and abolition of penal interest) to all Deputy Registrars and Sub-Deputy Registrars to get as early as possible the by-laws of all credit societies amended so as to do away with penal interest and also to reduce the rate of interest to  $7\frac{1}{2}$  per cent. The deletion of penal provisions is suggested in the by-laws corresponding to 47, 50, 51 and 52 of the model by-laws and the following transitory by-law is recommended for adoption:—

“Notwithstanding anything contained in by-laws Nos. 43, 47, 50, 51 and 52, the interest on all outstanding loans, whether such loans have or have not fallen due or been decreed shall be *charged* at  $7\frac{1}{2}$  per cent. per annum from the date of last payment of interest till 30-6-36. (i. e. the interest shall be *calculated* at  $7\frac{1}{2}$  per cent. from the date up to which interest was fully paid, till 30-6-36).”

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## Editorial Notes.

### Indore Conferences.

It was rather extraordinary that two important co-operative conferences should have taken place simultaneously in the city of Indore in the last week of November. One was the Holkar State Co-operative Conference, presided over by Dewan Bahadur S. Aravamudu Aiyangar of Hyderabad, and the other the Central India, Rajputana and Gwalior Co-operative Conference, presided over by Mr. V. Ramadas Pantulu. The first began on the 25th and the second on the 26th November and the proceedings lasted in each case for two or three days. Why the Holkar State Conference was not merged in the wider conference, why the latter was not held at some place other than Indore and why they were made to synchronise with each other, only the co-operators of Indore who are in the know of things can answer.

Little is known regarding the spread of the co-operative movement in Rajputana. The statistics relating to none of the Rajputana States are included in the annual statements relating to co-operative



societies published by the Government of India. But those relating to Gwalior, Indore and Bhopal which are in Central India are included. In area, population and revenue Gwalior is much bigger than Indore and Bhopal. Therefore it should not be surprising if Gwalior has more co-operative societies than the other two States. As a matter of fact Gwalior has more societies than any other State. In 1933 it had 4069 societies, whereas Hyderabad, Mysore, Kashmir and Travancore had 2,532, 2,180, 2,943 and 1786 respectively; and Bhopal had 954 and Indore 675. In respect of membership and working capital, Gwalior is not ahead of Hyderabad, Mysore and Kashmir, but it is ahead of Indore and Bhopal. The Gwalior State has given more Government money for the use of co-operative societies than any other State. In fact, the difference between Gwalior and other States in this respect is very striking. At the end of 1932-33 out of a total working capital of Rs. 94.77 lakhs as much as Rs. 32 lakhs was Government money in Gwalior; whereas in Mysore, Hyderabad and Kashmir it was only about Rs. 4 lakhs, though the working capital of Mysore and Hyderabad was Rs. 223 lakhs and of Kashmir Rs. 101 lakhs. The Registrars and other delegates of Gwalior and Bhopal attended and also participated in the proceedings, and the conference cannot but be of great help, along with the new Anglo-Hindi quarterly journal that is published at Indore, in spreading and developing the co-operative movement in Rajputana and Central India.

Elsewhere we have given extracts from the speeches of Messrs. Aravamudu Aiyangar and Ramadas Pantulu. Mr. Aiyangar did well to ask co-operators not to feel unduly dejected over co-operative disappointments—defalcations, misappropriations, ‘the deplorable depravity of some of our erstwhile co-operative workers who have been not reluctant to bask in the sun-shine of official praise and non-official approbation’—because such things happened elsewhere also and joint-stock banks or individual bankers were not better than co-operative institutions. He urged the construction of roads and irrigation canals on a large scale as a measure of rural unemployment relief for some years to come, the work to be given to co-operative societies of labourers and not to individual contractors. A practical

item of this nature he valued more than any amount of planning and talking. We hope at least some Local Bodies will take up the idea. Mr. Ramadas Pantulu made an earnest appeal for the greater development of co-operative *morale* among co-operators. He said, "It is claimed by us that 'union,' 'justice' and 'peace' are the three spiritual and moral basements upon which are lying the foundations of the co-operative movement. If union gives place to dissension, justice to wrong and peace to strife, does it not mean that there is an end to co-operation? And yet that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in co-operation have also found their way into the movement. All this must cease." In the course of his instructive address he further dealt with the financing of the agriculturist for different purposes, and with co-operative education. It may be confidently hoped that the addresses of these distinguished co-operators from outside have greatly stimulated the co-operators of Indore.

### Health Societies in Yugoslavia.

Though public health and the provision of medical relief for the poor are everywhere recognised to be a function of the state, co-operative health societies have been started in some areas, necessarily on a voluntary basis, either because the resources of the state are inadequate or because it does not move quickly enough and the people cannot afford to wait for its convenience. Such health societies exist, for instance, in Bengal, Japan and the new state of Yugoslavia. A good account of the health societies of Yugoslavia is published in the *International Labour Review* of Geneva for July 1935 and it has also been published as a pamphlet. These societies are organised in rural areas where ordinarily private medical practitioners are not found, and the people are very poor. Some surveys of living conditions made before the War revealed the housing conditions to be very unsatisfactory, according to European standards. And that half the children of the peasants died in childhood—a state of things nearly as bad as in our own country. The first health societies in

Yugoslavia were started in 1921 but it is after 1928 that their progress has been noteworthy. Their programme is :

To place doctors in the villages ; to guarantee a livelihood which is not directly dependent on the capacity to pay of each individual sick person ; to provide as inexpensively as possible for the supply of medicines and articles of hygiene ; to educate the people in health matters ; to plan and enforce the necessary preventive measures ; and to carry out the drainage, water supply, and building operations of every kind which the villages lack.

The funds of the societies are derived chiefly from the share capital and contributions to a fund known as the health fund. The share capital payable by a member varies from 10 to 100 *dinars* the usual amount being 50 *dinars*. (A *dinar* is equivalent to about eight annas). The liability of a member extends to ten times the share. The health fund is a kind of sickness insurance fund. Contributions to it are usually optional but may be made compulsory by the decision of the general body. The amount of contribution differs in different societies, and the larger the membership the smaller is the payment. In larger societies it is fixed at 60 *dinars* per year. Though in theory it is payable monthly, it is usually paid at the harvest time. Payments may be made in kind—in milk, cheese etc.—and these are then sold by the agricultural co-operative societies.

In its elementary form the society engages a few rooms for a dispensary and a doctor who is paid out of the general funds of the society. He is allowed to charge fees according to a scale fixed by the society for consultation, home visits, night work etc. Consultation is free to those who subscribe for the health fund. Generally a nurse or midwife is also engaged. The doctor must of course live in the village. He is generally a married man and his wife is expected to help him in his various duties. As soon as funds permit the society proceeds to construct its own "health house" which not only accommodates the dispensary and some beds, but also provides quarters for the doctor and other staff and contains rooms for meetings, lectures etc.

The preventive and educational work of the societies is very considerable, in which the doctor plays the most important part. Vaccination is made free and general, that is, it is not confined to members' children. Infants, mothers, and expectant mothers are visited once a week by the doctor free of charge. Schools are medically examined, treatment and even medicines for the poorest are given free. Campaigns are launched against malaria, venereal disease, tuberculosis etc. A varied programme for the improvement of the sanitation of the village is undertaken, such as laying pipes and drains, constructing latrines, wells etc. Talks, lectures, exhibitions, classes etc., are arranged not only for adult members, but also for organised sections of juveniles and women, including practical courses on such agricultural subjects as growing vegetables and flowers, poultry-keeping, pig rearing etc.

The work of the health societies thus includes a comprehensive programme of rural reconstruction. In carrying it out they are receiving every encouragement from the state, which is very glad that its own work is so efficiently supplemented by these societies.

Conditions in our country are not a whit better than they were in Yugoslavia and the need for health societies is particularly urgent in some areas. What is needed is an energising kindling of souls and organisation. When will it come about?

### The Salem Stores.

We wish to draw the attention of the Registrar to the letter published elsewhere from the Secretary of the Salem City Co-operative Stores, Ltd., wherein he complains that the Deputy Registrar is objecting to co-operative societies joining the Stores as members, though the by-law permits 'any institution' to be a member. The point of difference between the Deputy Registrar and the Society appears to be regarding the interpretation of the word 'institution', the Deputy Registrar holding that it does not include a co-operative society. We fail to understand how such a narrow interpretation could be justified. Commenting on the word "persons" occurring in section 6 of the Co-operative Societies Act of 1912, Calvert points out that according to section 3(39) General Clauses Act (X of 1897) person includes any company or association or body of individuals whether incorporated or not, and that in Bengal joint-stock companies are now by rule specially excluded. Thus institutions of all kinds could become members even without a specific provision in

the by-law. But after permitting the inclusion of the word 'institution' in the by-law, to so interpret it as to exclude co-operative societies appears to be altogether unreasonable. It is the commonest thing for co-operative societies and other institutions like hostels, temples etc., to be members of co-operative stores. At our last Provincial Co-operative Conference a resolution was adopted requesting the authorities of temples, hospitals and educational institutions to join co-operative stores and buy their requirements from them. Under such circumstances to object to co-operative societies getting their requirements from a co-operative institution is very strange. We trust the Registrar will look into this matter.

### The Government Telegraph Employees' Society.

The report of the Government Telegraph Employees' Co-operative Society, Madras, for the year 1934-35 speaks of a great reduction in fixed deposits from non-members on account of the rate of interest on them being reduced to  $2\frac{1}{2}$  per cent at the beginning of the year. They amounted to Rs. 1,63,175 in 1930-31 and were gradually reduced by lowering the rate of interest, as deposits from members became more and more available. The reduction in 1934-35 was from Rs. 64,580 to 30,510. The system of compulsory thrift deposits by which every member is obliged to pay to the Fund a percentage of his salary—worked quite satisfactorily. On this deposit the Society not only pays an interest of 5 per cent but in addition gives a bonus out of the net profits of the society. During previous years this bonus was 4 per cent, but as the rate of interest on lendings was reduced during the year under report, the Directors have proposed that the bonus should be only 2 per cent. The example of this society in encouraging thrift by offering an attractive rate of interest and a bonus in addition, deserves to be copied widely. For if a society does not teach thrift to its members, it has absolutely failed in its purpose. The Society has also a department of non-credit activity. It has a store branch for the sale of cloth—and what is especially remarkable is that all the cloth is obtained from the weavers' co-operative societies of Salem and Coimbatore. From April last a tailoring section has been added which also is reported to be working satisfactorily. The free public reading room and library conducted by the society were quite popular, the total attendance being more than 12,000 and the number of books issued for home reading being 7,446 volumes. We wish the Society continued success and prosperity.

## Insurance and Land Mortgage.

The Bhimavaram Co-operative Land Mortgage Bank has recommended to its members, in its administration report for 1934-35, the dismortgage insurance policies instituted by the South India Co-operative Insurance Society. The advantage is best explained by an illustration. Let us suppose that a member aged 20 takes a mortgage loan of Rs. 1,000 from the Bank. He will have to pay Rs. 90-12-1 (the interest being calculated at  $6\frac{1}{2}$  per cent—it would be less at 6 per cent interest) annually for 20 years, the period of the loan. There is the risk of his death within the period, and in that case, his family which is deprived of its earning member, will have to continue to pay the annual instalments. But if he takes a dismortgaging insurance policy, the Insurance Society will pay the balance of the loan and hand over the freed property to the family. For this insurance policy he may either make a single payment of Rs. 87-5-0 or an annual payment of Rs. 8-2-0. By taking this policy he will be freeing himself and his family from a very serious worry. The additional payment required to be made is a comparatively small one. It is like insuring against the risk of fire or accident. It is also to the interest of the land mortgage bank to persuade its borrowing members to take these policies. We hope all primary land mortgage banks will adopt this course.

## A New Co-operative Journal.

We extend a hearty welcome to "Sahakari Madhya Bharata," an Anglo-Hindi Co-operative quarterly, intended to serve the States of the Central India Agency, and published under the auspices of the Indore Co-operative Central Association. Though the Editor, out of modesty we suppose, 'believes an apology is due for undertaking the publication, we should like to assure him that it is not so at all. The need for education and propaganda regarding the principles and objects of the co-operative movement both among members of societies and the general public is so great, that the more journals there are, especially in the vernacular, the better. The first number of "Sahakari Madhya Bharata" was published in September last and contains a gracious message from His Highness the Maharaja of Indore, which shows his deep interest and faith in the movement. The English and Hindi sections are independent. The Hindi section, which is the bigger, is rightly intended for the villager and contains matter which is of particular interest to him. The

get up of the journal, including the illustrations, is creditable to Indore. We wish our new contemporary a long and useful career.

### Dharwar Urban Bank.

The Southern Mahratta Urban Co-operative Credit Bank Ltd., Dharwar, is one of the oldest and biggest urban banks in Bombay Presidency. According to its 28th annual report for the year ending 30-6-1935, it had a membership of 3,533 of whom 318 were women. The Bank issues loans on the security of both immovable and movable properties, among the latter being gold and agricultural produce. The total amount of loans outstanding against members was Rs. 5. 65 lakhs of which Rs. 3. 82 lakhs or 68 per cent was overdue—a very high proportion for an urban bank. The financial position of the Bank is, however, thoroughly sound as the amount of bad and doubtful debts is stated, by a qualified special auditor who examined these debts, to be about Rs. 23,000, the whole of which is covered by the bad debts fund. Among other services the Bank distributes quinine to its members, and we are told the demand for it is increasing. Very strangely, it complains of 'cut-throat competition' by the Karnatak Central Bank and its reduction of interest rates on gold loans to  $4\frac{1}{2}$  per cent and godown loans to 5 per cent. Finding the Registrar on the side of its rival, the Urban Bank has threatened to bring down its own lending rates to the level of the former, assuring its members, however, that it will still be able to declare a decent dividend! There seems to be every reason for the members of the Urban Bank to thank the Central Bank.

## Federations

BY PROF. S. K. YEGNANARAYANA IYER, M.A.

In the first article<sup>1</sup> of this series I tried to give a brief summary of the report of the Bombay co-operators who recommend the formation of district federations of supervision as well as a provincial board co-ordinating the activities of these district organisations. In the second article<sup>2</sup> I tried to trace the history of our own experiment in this province regarding the formation of the district federation of supervision and its work. In this short and the last article of the series I shall try to draw a few lessons from our own experience in this matter.

In a perfectly organised system of co-operative societies, perhaps, there will be no need for any separate supervising organisation. In that ideal world, members of every primary society will be so thoroughly trained in the essentials of co-operation that they will run their society in an ideal way requiring no supervision from an outside agency. But we live in an imperfect world and our co-operative societies are run by human agencies that are far from perfect. Hence the need for supervision has been felt to be more and more urgent. For the purpose of our study it is taken for granted that primary societies should be conveniently grouped under supervising unions for efficient supervision and the real question is whether these supervising unions should be put in charge of central banks or whether a special institution called 'Federation of Supervising Unions' should be brought into existence. Our brethren in Bombay are for the latter course. Our experience in this province who anticipated the very experiment which our Bombay brethren are going to perform is somewhat discouraging. Let us see what lessons we have to gather from its failure.

Let us analyse the causes as to why these district federations that were brought into existence under such favourable auspices failed one after the other. The first and foremost cause of their failure is that they were not natural growths but were created by persons in power who were convinced about their necessity. So long

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<sup>1</sup> Published in the August number under the title "supervision in Bombay."

<sup>2</sup> Published in the September number under the title "Federations, their Rise and Fall."



as a Registrar was an advocate of the federations they came into existence in large numbers and they flourished ; but when that Registrar gave place to another who had not so much of faith in the need for the existence of this organisation, they began to wither away. That is, they did not supply a long felt want, but were brought into existence by the authority of one Registrar. They required the sunshine of official encouragement to flourish and when that vitalising element was withdrawn, they withered away.

Secondly, like every institution it had an idea underlying it. It was based on the assumption that supervision and finance must never go together. It was presumed that supervision required patience, adaptability, willingness to face difficulties and overcome them and many other virtues which finance, sitting on its throne of authority, was supposed to be deficient in. And it was sincerely believed that Central Banks caring only for their financial stability would give the go by to the co-operative principles and would introduce business principles (as if co-operation and business principles were radically opposed to each other). This view might have been somewhat justifiable years ago when Central Banks were entirely or mainly under the control of individual share-holders who in spite of their being pioneers in co-operation were looked upon simply as financiers; but whatever its justification then, in recent years when all our financing banks have been converted into banking unions consisting mostly of borrowing co-operative primary societies as constituents, the imaginary divorce between supervision and finance has now ceased to exist and hence an institution based upon this principle seems to have outlived its usefulness.

Thirdly, it is notorious that our country is educationally very backward and the struggle for existence among the few educated people is so hard that very few of them are willing to come forward and devote their time and energy in an honorary capacity for the working of co-operative institutions. The financing banks being first in the field were able to attract the services of a large number of these pioneers and when federations were brought into existence, the paucity of human material was keenly felt and very often the same persons had to be in both the bodies, or if fresh men were found for federations they were not of the same calibre as the leaders of co-operation who ran the district banks.

Fourthly, it sometimes happened that the human agency running the federation consisted of people who had contested the seats on

the management of the central bank and had failed, so that the federation under the influence of these disappointed candidates came to take up an attitude not of co-operation, but of antagonism to the central bank. In this unequal contest federation being the weaker got the worst of it.

The weakest point in the federation was its lack of finance. The only source of income for the federation was the supervision fund, whether contributed as supervision fund by primaries or granted as rebate on loan transactions with the primaries by the central bank. Its chief financier was the central bank, and so long as the central bank tolerated the existence of a separate organisation and was willing to finance it things went on well. But when the banks themselves felt competent to take up the work of supervision of their constituent bodies and came to look upon the federation merely as a fifth wheel of the coach, they could, and did, make the position of federations very unenviable.

The federations did not fare better at the hands of the unions. The unions did not like the idea of the federation coming in between them and their supervision fund, taking it away from them, pooling it in a central manner and redistributing it and getting control over the supervising staff who were their immediate subordinates. There was a clash between the desire for autonomy on the part of unions and the need for centralisation of men and money in the hands of the federation for the sake of efficiently working of the supervising machinery.

Moreover, in this pooling at the centre the strong unions who were otherwise able to look after themselves did not very often exhibit the true co-operative spirit. They felt somewhat aggrieved that their contribution should have been appropriated to a small extent for financing weaker unions.

It may be that all these causes did not operate simultaneously and in all districts. They might have manifested themselves under all possible permutations and combinations. Yet we shall not be far wrong if we say that at the bottom of the downfall of a federation we would find some or all of these causes operating.

In the light of this analysis of the causes that led to the failure of federations in our province, the writer of this article would be excused if he were to advocate the entrusting of all supervision to District Banks under certain safeguards and conditions and not view with favour the creation of a separate organisation for supervision.

Over and above the weakening causes enumerated above, we would do well to consider the significant fact that in the present condition of our literacy and availability of men, it is a wise policy not to duplicate the machinery, wherever such duplication can be avoided without sacrificing efficiency. Central Banks have acquired a certain amount of prestige on account of their financial stability and the good work they have been doing, and in the light of the fact that rivalry between finance and supervision, whatever its justification a decade or two earlier, has now disappeared, there is no harm in entrusting supervision of constituent bodies to the bigger body composed of its constituents. Central Banks may very well be entrusted with the task of co-ordinating the activities of supervising unions, of guiding them and financing them if and when necessary.

The safeguard referred to is this: In these days of democratic elections it very often happens that an elderly co-operator whose advice would be valuable but who is not prepared to stand the rough and tumble of a modern election, gets no chance to serve even though he is able and willing to serve the movement. The supervising branch of the Central Bank should frame subsidiary by-laws whereby such co-operators of experience might be co-opted for working in this section so that their valuable experience might be available. With this safeguard the Central Bank might very well be empowered to be in charge of supervisory work in the district.

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## Section 28 of the Co-operative Societies Act (VI of 1932)

BY P. K. SRINIVASARAGHAVACHARYA, B.A.

The provision of law that enables the Registrar of the District to execute a decree obtained by a society is section 28 of the Act VI of 1932. There it is said 'Whenever a decree or order of a Civil Court, a decision or an award of the Registrar or arbitrator or an order of the Registrar or liquidator is obtained by a registered society for the realisation of money, the Registrar or any person subordinate to him empowered by the Registrar in this behalf may, subject to such rules as may be prescribed by the Local Government, recover the amount due under such decree, award or order together with the interest if any, due thereon and the costs of the process by the *attachment and sale* of the property of the person against whom such decree, decision, award or order is obtained.'

The rules prescribing the procedure for executing the decrees which under section 28 the Registrar is empowered to execute are to be found in Rule XXII (i) and its sub-rules. Rule XXII (i) says 'Any decree-holder requiring the provisions of the Act to be applied shall apply to the Registrar. Sub-rule (3) (i) says that ordinarily movable property of the defaulter shall be first proceeded against and sub-rule (ii) says the immovable property mortgaged to the decree-holder or other immovable property belonging to the defaulter may be proceeded against. Sub-rule 7 lays down the procedure to be followed in the attachment and the sale of immovable properties.

The question is as to whether under the provisions of section 28 of the Act the Registrar is empowered to execute mortgage decrees. The rules no doubt indicate that a mortgage decree is made executable by the provisions of section 28. (Please *vide* Rule XXII (3) (ii), If by application the scope of section 28 is limited to the execution of money decrees only, the rules cannot enlarge that scope by stating that mortgage decrees also were intended to be effected by section 28. The clear language of section 28 restricts its operation to decrees for the realisation of money. Those decrees can be executed by the Registrar by attachment and sale of the property of the judgment-debtor.

Rule 30 of Order XXI of the Civil Procedure runs as follows :— 'Every decree for the payment of money including a decree for payment of money as the alternative to some other relief may be executed by the detention in the civil prison of the judgment-debtor, or by the attachment and sale of his property or by both.' In section 73 of the same Code the expression 'decrees for the payment of money' occurs. It also occurs in Order XXI, rule 16. In construing what that expression means the High Court had to decide as to whether a decree for sale in a mortgage suit comes within that

definition. All the reported cases make a distinction between decrees for the payment of money and decrees for the sale of property. It is sufficient if reference is made to a decision of the Madras High Court reported in I.L.R. XLVII Madras 948. There the scope of the proviso to Order XXI, rule 16 was considered. Their Lordships following a series of decisions of the Calcutta High Court came to the conclusion that a decree for sale is not a decree for the payment of money. In the form in which mortgage decrees are drawn up there is always a direction that the judgment-debtor should pay the decree amount. (Please *vide* Form 11 in appendix D to schedule 1 of the Code of Civil Procedure.) In spite of such a direction it has been held that a decree for the sale of the mortgaged property is not a decree for the payment of money.

This contention gains strength from the language of section 28 and the rules and sub-rules relating to execution. The language used is 'attachment and sale of the property of the person against whom the decree has been obtained.' Attachment is unnecessary in cases where the decree that is being executed is one obtained on a mortgage. As the Madras High Court is pleased to observe in XXXIII Law weekly 559 at 560 'to require attachment of the property to be sold is inconsistent with the sale in execution of property mortgaged or charged'. It is to be understood that the legislature was aware of this decision which was pronounced on 12-12-1930. In fact a Full Bench of the Allahabad High Court has approved of this well known proposition of law that the Legislature must be presumed to know the course of Judicial decisions. (Please *vide* 1930 Allahabad 225). It is also to be understood that the Legislature does not enact anything that is superfluous or unnecessary. Hence the only possible conclusion that one can arrive at from the language of section 28 is that the Legislature intended that all decrees except mortgage decrees for sale should be made executable by the Registrar. It does not matter that the rule making authority contemplated execution of mortgage decrees also by the Registrar. If the Act does not authorise the execution of mortgage decrees by the Registrar the rule making authority by making rules for such execution cannot vest him with powers which the Legislature did not vest him with.

It has therefore to be seen that unless and until section 28 and the rules are amended as follows there is sure to be some trouble with regard to execution proceedings relating to mortgage decrees. The proposed amendment is that an explanation to section 28 be added 'The expression Decree for realisation of money in this section includes (and shall be deemed always to include) a mortgage decree for sale', and as a proviso to that section be added 'Provided that it will not be necessary in execution of a decree for sale or one creating a charge to attach the property mortgaged or charged.'

## Co-operation in Japan.\*

Japan being the most advanced Asiatic country in almost every respect, a study of the co-operative movement in Japan is bound to be of very great interest to co-operators in this country, and it is also likely to suggest some directions in which we may well follow its example. The area of the Japanese Empire is about 240,000 square miles and its population about 90 millions. The area and population of Madras Presidency being 141,075 square miles and 46·74 millions respectively, Japan has a little less than twice the area and population of this province. Let us bear this fact in mind in comparing the progress of the co-operative movement in that country with its progress in our province.

As in India, the earliest attempts at the organisation of co-operative societies in Japan took place some years in advance of the passing of the law relating to them. The law was passed in 1900 but the attempts at starting societies began in 1892. But as in India the movement took root only after the law was passed. The provisions of the law in Japan are generally similar to those in India—in fact India benefited considerably by the example of Japan whose law was passed a few years earlier. But there are some differences which it would be interesting to note.

Four distinct objects are recognised : credit, sale, purchase and utility. Sale societies correspond to our societies for 'production, production and sale' and purchase societies are consumers' societies. The object of utility societies is the possession in common of machinery and other means of production for the benefit of their members. Two or more objects may be combined in a society ; and as societies are classified according to their objects, they result in 15 classes of societies with and without combination. It looks as if some of our very useful societies, such as those for the consolidation of holdings, arbitration societies and better living societies, have not been thought of in Japan. Perhaps, the social conditions there do not make such societies necessary. Nonetheless our law seems to be more elastic in this respect.

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\* The facts and figures in this article are taken from a small book, "The Development of Co-operative Movement in Japan," published by the Central Union of Co-operative Societies in Japan, Tokyo, 1934.

The law in Japan recognises three kinds of liability—limited, unlimited and guaranteed. By unlimited liability is meant exactly what is meant in our country. In limited liability, the liability of a member is confined to the shares taken by him, while in guaranteed liability the liability extends upto a fixed sum beyond the shares. By an amendment of the law made in 1932 limited liability is to be converted into guaranteed liability in the course of five years.

What is most remarkable in respect of liability is that societies with unlimited liability form only 8 per cent of the whole, though 85 per cent of the societies have credit as their object either singly or in combination and more than 70 per cent of the members of societies are agriculturists as in India. In this respect we think the Japanese are wiser than we have been. Unlimited liability has not yielded, at any rate in our country, the moral and material results that were expected of it. Nor is it easy of enforcement in practice. It has not proved a greater guarantee to the creditor against loss than limited liability. On the other hand, it has the serious disadvantage of keeping out intelligent and propertied men from societies who would have been invaluable in managing them efficiently. The fact that everywhere in our country limited liability societies are more efficient than the unlimited liability ones should open our eyes to the superstitious regard we have conceived for unlimited liability. As in Japan, unlimited liability should become the exception and not the rule in the case of our agricultural credit societies.

Eligibility to membership is confined to persons who are economically independent. That is not the case in our country. We have therefore cases of husband and wife and members of joint families being members of a society and standing surety for each other, only to comply with the literal requirements of by-laws, but without adding to the security of the loans. It would be an advantage to adopt the Japanese idea of economic independence as a qualification for membership.

Special requirements are imposed upon the general body when important business has to be transacted such as the election of office-bearers, the amendment of by-laws etc., these requirements being the votes of at least half the members and a three-fourths majority. For less important business a majority decision of those present suffices. While the principle of one man one vote, irrespective of the number of shares held by him, is accepted, voting by proxy is allowed. But for this provision, we should think, it would not be possible to satisfy

the special requirements mentioned above for transacting important business. Managing committees are generally smaller than here, consisting usually of three, five or seven members. Their services are generally unremunerated, but in some cases one of them is appointed as manager with a fixed salary.

One-fourth of the net profits is to be carried to the reserve fund as here. In addition, all entrance fees and "premiums paid on the increased value of shares" etc., must also be allotted to the reserve fund. The value of shares is thus not kept at par by law as here. The dividend on share capital is generally limited by law to 6 per cent; but in some exceptional cases even 10 per cent is permitted. There is no restriction on the rate of rebate on sales and purchases.

The State in Japan has accepted the same responsibility for encouraging and guiding co-operative societies as the State in India. But there is no separate officer corresponding to our Registrar. The administrative heads of divisions, which correspond to our districts and divisions, and the Minister of Agriculture and Forestry have powers of control and supervision. Urban banks are in addition also under the control and supervision of the Finance Ministry. But as there is no separate special department to look after co-operative societies, the supervision and control of Government is probably more theoretical than real, unlike what it is in our country.

As in this country, co-operative societies are exempted from the payment of income tax, registration fee, profession tax etc. Audit, however, does not appear to have been taken up by the State as its duty even in the case of small societies. Loans at a low rate of interest are given to the societies on a larger scale than here. Special facilities are given by Government to co-operative societies if they are willing to undertake contracts of work, which we are afraid is not the case in our country.

In 1932 there were in the Empire of Japan 14,352 societies. The Madras Presidency had at that time about the same number of societies viz., 14,539. The number of members in the Japanese societies, however, was about 5 millions, whereas that in Madras societies was less than a million. The working capital of the Japanese societies was 170 crores *yen* (ordinarily a *yen* = Rs. 1-8-0); that of the Madras societies was 17 crores of rupees. That is to say, the working capital of the Japanese societies was about fifteen times



greater than that of our societies. After 1925 there has practically been no increase in the number of societies in Japan, due to a policy of amalgamation and consolidation; but there has been considerable and steady increase in membership, working capital and business turnover. The total number of cities, towns and villages in the Empire of Japan is only 11,646, whereas there are more than 52,000 of them in Madras Presidency with only half the area and population of Japan. In every village and town in Japan there is at least one society.

Societies in Japan would appear to serve their members to a far greater extent than they do in our country. At the end of 1932 the loans outstanding in credit societies are reported to have amounted to more than 101.75 crores *yen*; the loans granted amounting to 197 crores *yen* and those repaid to 95.26 crores *yen*. (It is not clear whether the loans granted relate only to the year.) Saving deposits paid into the credit societies, presumably by members, amounted to 174 crores *yen* and those withdrawn amounted to 117 crores *yen*, leaving an outstanding balance of 57 crores *yen*. Thus it is clear that the objects of credit societies, *viz.*, the provision of credit for industry and the encouragement of savings, are very well realised there, unlike what it is in our country.

The difference between our societies and Japanese societies is even greater when we consider non-credit transactions. Of the total number of societies as many as 71 per cent had the co-operative sale of the produce of their members as their object, either singly or in combination with other functions. The total value of the produce sold co-operatively in 1932 was 20.28 crores *yen*, the chief articles sold being rice (6.74 crores *yen*) cocoons (3.04 crores *yen*) and raw silk (4.91 crores *yen*). Other articles included wheat and barley; vegetables and fruits; rush, straw and their finished works; earthen wares and tiles; drapery and hosiery; products of forestry and fishery etc. Eighty per cent of the societies purchased raw materials, tools and machinery amounting to nearly 7 crores *yen* and articles of daily consumption amounting to 7.3 crores *yen*. Apart from these there were 192 consumers' societies of the British type for wage-earners and salaried men, with a membership of 190,000, which supplied articles to their members worth 1.9 crores *yen*.

Fifty-three per cent of the societies had "utility" as their object, chiefly in combination with other objects. Many of them owned machinery for the use of their members: 512 societies for cleaning

rice, 282 for preparing barley, 341 for crushing manure, 197 owned silk mills etc. The rents collected exceeded 57 lakhs *yen*. 3,313 societies had provided storages, which satisfied the requirements of the law in this respect, for agricultural produce including storages for cocoons.

There are federations of different classes of societies. Those of credit societies are the best developed. Among the federations of sale societies those for the sale of raw silk are said to be the most flourishing.

Japan has its own Co-operative Wholesale Society—its C. W. S.—with its productive works. Its total sales in 1932 amounted to 3.56 crores *yen*, of which materials for industrial use such as fertilisers and fodders amounted to 3.23 crores *yen* and requisites of daily consumption to only 33 lakhs *yen*.

It has also a Co-operative Union for education, investigation and propaganda.

Altogether the movement is far more real and virile in every respect than it is in our country.

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## Co-operation in the Legislative Council.

29th October 1935.

*Reasons for refusing the registration of the Depressed Classes Co-operators' Federation, Madras.*

\* 258. Q.—Rao Sahib V. I. Muniswami Pillai: Will the Hon. the Minister for Public Works be pleased to state—

(a) whether it is a fact that the co-operative propaganda among depressed classes is now carried on by the Madras District Central Bank :

(b) whether the attention of the Government has been drawn to the inadequate propaganda carried on by the above bank ;

(c) whether it is a fact that the Central Bank has appointed a defaulter of a co-operative society, who was responsible for several misappropriations and consequent liquidation, as a propagandist ;

(d) whether it is a fact that Mr. H. M. Hood, I. C. S., former Registrar of Co-operative Societies, ordered that the defaulter should not have anything to do with the Madras City Societies ;

(e) whether it is a fact that the Registrar of Co-operative Societies inspected the depressed classes co-operative societies in the City of Madras during April 1935 last and the names of the various societies which he visited ;

(f) whether during his inspection, there were several requests for the registration of the Depressed Classes Co-operators' Federation ; if so, what his reply was ;

(g) when the Registrar last inspected the Madras District Central Co-operative Bank, Limited, and whether he made enquiries as to the several complaints made by the public either by letters or through the press and with what results ;

(h) what action has been taken on the several resolutions passed under the presidentship of M. R. Ry. Diwan Bahadur G. Narayanaswami Chetti Garu, C. I. E., on the 7th October 1934 ; and

(i) with reference to the abstract G. O. Ms. No. 949 dated 4th July 1935, communicated to the Secretary, Depressed Classes Co-operators' Federation, Madras, whether the Government will be pleased to State what the reasons of the Registrar of Co-operative Societies were to refuse 'registering' the above said Federation ?

A.—(a) Yes.

(b) The Government have no reason to think that the propaganda is inadequate.

- (c) The Madras District Co-operative Central Bank has appointed, from July 1934, R. Rajagopal (a member of a depressed class) as a propagandist. He was a member of the Thousand Lights Co-operative Society and was heavily indebted to it. He was also its Secretary. The affairs of the Society were mismanaged by him. Its registration was cancelled. There was no case of misappropriation of funds against Rajagopal.
- (d) No.
- (e) Yes. The Societies inspected were:—
- (1) Gajendra Varada Co-operative Society.
  - (2) Mackey's Garden Co-operative Society.
  - (3) Narasingapuram Co-operative Society.
  - (4) Wellington Co-operative Society.
  - (5) Prince of Wales Co-operative Society.
  - (6) Kalyanamaistry Garden Co-operative Society.
  - (7) Slaterpuram Queen Victoria Co-operative Society.
- (f) In two of the societies inspected by the Registrar, requests were made for the registration of the Depressed Classes Co-operators' Federation. As the Registrar had already carefully gone into the proposal, and had informed the Honorary Secretary that there was no need for the Federation, no action was taken by him on these representations.
- (g) On the 23rd July 1934. There is nothing on record to show what enquiries were actually made then.
- (h) In his letter forwarding the resolutions referred to, the General Secretary, Depressed Classes Co-operators' Federation, drew the attention of Government to the following three questions:—
- (1) that the appointment of special inspectors for the supervision of depressed classes' societies has not benefited either the societies or the banks which finance them,
  - (2) that the City Co-operative Bank draws to itself members of the depressed classes leaving the depressed classes' societies with no proper men to manage them, and
  - (3) that a rule should be framed prohibiting a paid employee of a society from serving on the board of management of that society or that a financing bank.

With regard to the first point, special inspectors have now been working under the direct control of the Deputy Registrar of Co-operative Societies, Madras, who watches their work and reviews it. As regards the second point, the City Bank caters to the needs of the rather more well-to-do among the depressed classes who require bigger loans, and the bank cannot deny such help to those who need it. As for the third point, the question of framing a rule as suggested is under consideration.

- (i) As there exists already a duly constituted body, viz., the Madras District Central Bank, for the purpose of carrying on propaganda work in the city and as that bank has expressed itself in favour of enlisting the services of honorary propagandists from among the promoters of the Federation, the Registrar of Co-operative Societies considered that there was no need for the registration of another society. Further, it was considered that the Federation, if registered, would not have sufficient funds to carry on.

Rao Sahib V. I. Muniswami Pillai :—“ With reference to the answer to clause (b), may I know how many co-operative societies have been established as a result of the propaganda carried on by the Madras District Central Bank ?”

The Hon. Mr. P. T. Rajan :—“ The answer says that the Government have no reason to think that the propaganda is inadequate. I do not understand how this question arises.”

*Effect of the concessions under penal interest granted by the Registrar of Co-operative Societies on overdues during 1934-35.*

\* 259. Q.—Mr. M. B. Rangaswami Reddi.—Will the Hon. the Minister for Public Works be pleased to state —

(a) what the results are of the Registrar's circular to co-operative societies, during the co-operative year 1934-35 allowing certain concessions in the payment of penal interest on overdues ; and

(b) whether the Government have considered the question of further extending the concession and with what result ?

A.—(a) The results are not yet known ; they will be known only after statistics have been compiled for the departmental administration report.

## CO-OPERATION IN THE LEGISLATIVE COUNCIL

(b) The following concessions have been granted for the current co-operative year :—

- (1) Reduction in the lending rates by central banks and societies on new loans to be issued by them ;
- (2) no levy of penal interest on overdue loans by central banks and societies ;
- (3) collection of interest for 1935-36 at reduced rates, *viz.*, at 6 or  $6\frac{1}{2}$  per cent by central banks and  $7\frac{1}{2}$  per cent by societies on all outstanding loans ; and
- (4) collection of interest by societies from members at the reduced rate of interest, *i. e.*,  $7\frac{1}{2}$  per cent on all outstanding loans.

Mr. K. A. Nachiyappa Gounder :—“ May I ask, Sir, what effective steps have been taken to see that central banks and societies adopt the rates recommended ? ”

The Hon. Mr. P. T. Rajan.—“ The reports submitted every year to the Registrar will show whether they have been adopted or not.”

Mr. M. A. Manikkavelu Nayakar.—“ May I ask whether the concession will be extended beyond the current co-operative year ? ”

The Hon. Mr. P. T. Rajan.—“ For the present, I believe the concessions have been granted for the current year only. If it is necessary to extend them beyond the present year, it will be done.”

### 31st October 1935.

#### *Discontinuance of the annual departmental conference of Deputy Registrars of Co-operative Societies.*

\* 357 Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(a) whether any annual departmental conferences of Deputy Registrars of Co-operative Societies are being held now ; and

(b) if not, why this system has been stopped ?

A.—(a) No.

(b) The system was stopped as a measure of retrenchment in accordance with the recommendations of the Retrenchment Committee.

Mr. A. B. Shetty.—“ May I know whether these annual departmental conferences were found to serve any useful purpose in the past ? ”

The Hon. Mr. P. T. Rajan.—“ I think so.”

Mr. A. B. Shetty.—“ If so, may I ask the Government to be pleased to consider the question of reviving these annual conferences ? ”

The Hon. Mr. P. T. Rajan.—“ It is purely a question of finance ; if finances permit, we shall consider the question of having these annual conferences. ”

*Alleged obstruction on the part of unions to the rectification of co-operative societies.*

\* 358 Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(a) whether any cases of unions obstructing the rectification of co-operative societies have come to the notice of the Government ; and

(b) whether the Government have under consideration any scheme for improving the working of unions or any proposal to liquidate bad unions ?

A.—(a) The answer is in the negative.

(b) The policy of the department has been to liquidate financially weak and bad unions. In March last, the Government accepted the suggestions of the Registrar that supervision of societies should be undertaken by central banks assisted by local co-operative unions and that officers of the department should keep themselves in personal touch with the unions and stimulate them to exercise vigorous supervision. There is at present no general scheme regarding unions under the consideration of the Government.

Mr. A. B. Shetty.—“ May I know whether action has been taken on the suggestion made by the Registrar ? ”

The Hon. Mr. P. T. Rajan.—“ I think so. ”

Mr. A. B. Shetty :—“ May I ask whether the officers of the department have succeeded in stimulating the unions to exercise vigorous supervision ? ”

The Hon. Mr. P. T. Rajan :—“ The experiment was started only this year, and as far as I know, there is a fair amount of progress. ”

*Proposals for the substitution of a new agency for the existing Unions to ensure better control and supervision of co-operative societies.*

\*359. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state whether instead of unions the Government are considering proposals to have any other agency for the better control and supervision of co-operative societies ?

A.—No.

CO-OPERATION IN THE LEGISLATIVE COUNCIL

Mr. A. B. Shetty.—“ May I know whether the Government are satisfied with the control and supervision now exercised by the unions ?”

The Hon. Mr. P. T. Rajan.—“ I am afraid I cannot answer this question which is too general in character.”

Mr. A. B. Shetty.—“ May I request the Hon. Minister to find out?”

The Hon. Mr. P. T. Rajan.—“ It is too general a matter to be looked into.”

*Payment of subsidies to Loan and Sale Societies on account of their working expenses.*

\*360. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(a) whether the Government are giving subsidies to any Loan and Sale Societies for their working expenses as they have done in the case of the Central Land Mortgage Bank ;

(b) whether any loans are being given for building warehouses for these societies as recommended by the Provincial Banking Enquiry Committee ; or

(c) whether help in any other way is being given ?

A.—(a) No. The Registrar of Co-operative Societies has sent proposals for making subsidies to enable these societies to rent godowns and to meet the cost of marketing agents, propagandists and clerical establishment employed by such societies. These are under the consideration of the Government.

(b) The Government had already been granting long-term loans to these societies to build godowns up to 50 per cent of the cost of construction of godowns. Up to the end of 1929-30 a sum of Rs. 14,750 was lent to societies for the construction of godowns at Orattanad North and South in Tanjore, Ambur in North Arcot, Nandyal in Kurnool, Madurantakam in Chingleput, Maripudi in Guntur and Nangavaram in the Trichnopoly district. No loans were granted in subsequent years. It is understood that there has been no appreciable demand for such loans from societies for the reasons that these societies were not able to secure sufficient business to keep their godowns fairly full throughout the year and to enable them to repay out of their income, the loans raised for the construction of godowns.

(c) The Government have employed 24 senior inspectors of co-operative societies for the supervision of non-credit societies in the Presidency which include loan and sale



societies. They have also employed eight junior inspectors for the intensive supervision of select loan and sale societies in some districts in their initial stages.

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*Proposals for the inauguration of Women's Thrift Societies.*

\*361. Q.—Mr. A. B. Shetty.—Will the Hon. the Minister for Public Works be pleased to state—

(a) whether the Registrar of Co-operative Societies had suggested last year the starting of Women's Thrift Societies as in the Punjab and the appointment of honorary women organizers for this purpose; and

(b) whether the Government have taken any action in the matter?

A.—(a) In October 1933 the Registrar proposed the appointment of a lady organizer for starting special types of societies for women in the Madras City.

(b) In the existing state of the movement, the Government did not think it desirable to start new activities.

Mr. A. B. Shetty.—“May I know whether the Government propose to start any new activities in view of the present state of the co-operative movement?”

The Hon. Mr. P. T. Rajan.—“No, Sir.”

## **The Erode Co-operative House Mortgage Bank, Limited.**

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*Particulars from the Secretary,*

E. S. GANAPATI AIYAR, B.A., B.L.,  
*President.*

# An Important High Court Judgment.

## IN THE HIGH COURT OF JUDICATURE AT MADRAS.

PRESENT: MR. JUSTICE KING.

T. S. Narayana Aiyar and others                      ... *Petitioners\**

The Co-operative Urban Bank, Ltd., Tinne-  
velly Junction, through its Secretary and  
another                      ...                      ...                      ... *Respondents.*

*Madras Co-operative Societies Act (VI of 1932), S. 51, clauses (b) and (c)—Ex-Directors proceeded against by a Bank for loss sustained by their negligence in sanctioning a loan—Registrar whether had jurisdiction to entertain the reference—Writ of prohibition—Whether circumstances favouring it.*

A dispute arose between a certain Co-operative Urban Bank, Ltd., and six persons who were members of the Bank and had been its directors, regarding the loss sustained by the Bank owing to the negligence of these persons in sanctioning a loan. Of the six, five had ceased to be directors though they continued to be members. On a reference to the Registrar of Co-operative Societies under S. 51 of the Madras Co-operative Societies Act (VI of 1932) the dispute was referred by him to the Deputy Registrar. On an objection by the five ex-directors to the jurisdiction of the Deputy Registrar on the ground it did not fall S. 51 of the Act, it was overruled by him, and hence an application was filed in the High Court for a writ of prohibition against the Deputy Registrar of Co-operative Societies.

*Held*, that neither cl. (b) of S. 51 which relates to disputes of members only and not of those who were officers, nor cl. (c) to S. 51 which deals with officers of the Bank or the Society, would apply to persons who were not mere members or who had been once directors but not at the time of the reference. Hence the Registrar had no jurisdiction to decide the dispute under S. 51 and a writ of prohibition should issue.

*The Municipal Permanent Investment Building Society v. Richards* (1888) 39 Ch. D. 372 relied on.

Petition praying that in the circumstances stated in the affidavit filed therewith the High Court will be pleased to issue a writ of prohibition prohibiting the respondents herein from proceeding with A. R. C. No. 848 of 1934-1935 before the Deputy Registrar of Co-operative Societies, Tinnevelly (second Respondent herein).

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\* C. M. P. No. 1747 of 1935.

S. Ramaswami Aiyar and V. K. Srinivasa Aiyangar for petitioners.  
B. Sitarama Rao and K. Venkateswaran for the first respondent.  
The Court made the following.

*Order.*—This is a petition requesting issue of a writ of prohibition to the Deputy Registrar of Co-operative Societies, Tinnevely, in the following circumstances. A dispute arose between the Tinnevely Co-operative Urban Bank, Ltd., and six persons who are members of the bank and were all its directors, regarding the loss sustained by the bank owing to the negligence of these persons in sanctioning a certain loan. It may be mentioned that of these six persons five are no longer directors of the bank though they still continue to be members and the sixth remains a director. The dispute was referred to the Registrar of Co-operative Societies under S. 51 of the Madras Co-operative Societies Act VI of 1932, for decision by him and it was referred by him to the Deputy Registrar.

The present petitioners who are the five ex-directors referred to, objected to the jurisdiction of the Deputy Registrar on the ground that the dispute did not fall within the terms of S. 51 of the Act. The Deputy Registrar passed orders on this preliminary objection to the effect that he had jurisdiction and the petitioners now wish this Court to issue a writ of prohibition against any further proceedings in the arbitration.

It is of course conceded that the dispute in question is one touching the business of the bank. The question then has to be decided whether it comes within cl. (b) cl. (c) of S. 51. Clause (b) refers to a dispute between a member, past member or person claiming through a member, past member or deceased member and the society. No doubt the present petitioners are members of the society but it is quite clear that the dispute in question concerns none of their actions or claims as members but only their actions as directors. On the authority of an English case *The Municipal Permanent Investment Building Society v. Richards*\*, it is quite clear that cl. (b) cannot be applied to the present case. Clause (c) relates to disputes between the society or its committee and any officer, agent or servant of the society. Clearly this clause would apply to the existing directors and the question to be decided is whether it would apply to persons who were once directors and whose action as such directors is the subject matter of dispute but who at the time of the reference to the Registrar are no longer directors.

*Prima facie* I would have been inclined to hold that cl. (c) would apply were it not for the fact that in Ss. 51 and 49 specific reference is made to past officers. In S. 49 (1) for instance it is said, that:

\* (1888) 39 Ch. D. 372.

“Where in the course of an audit.....it appears that any person who has taken part in the organisation or management of the society or any past or present officer of the society has misappropriated.....”.

The Registrar may take certain steps. In S. 51 (b) which immediately precedes the clause which we are now discussing, reference is specifically made to disputes between “a member, past member or person claiming through a member, past member or deceased member and the society, its committee or any officer, agent or servant of the society”. When we find these two instances of particular reference being made in the Act itself to past officers and past members it seems to me that if this cl. (c) was intended to apply to dispute of this kind between the society and its past officers specific mention would have been made of the past officers in this clause also. In the absence of such specific reference that clause cannot, I think, apply to the present dispute. The result is that the Registrar has no jurisdiction under S. 51 to decide this dispute and a writ of prohibition must issue. The petitioners’ costs which I fix at Rs. 100 will be paid by the bank which is represented by the first respondent.

*Writ issued.*

## REFLECTIONS ON THE JUDGMENT.

### I

The decision of Justice King in C. M. P. No. 1747/35 reported in the ‘Hindu’ and 69 Madras Law Journal short notes page 41 does not set at rest several difficult situations that are likely to crop up in the movement now and hereafter. I am not sure whether the Deputy Registrar, Tinnevely, only implemented the views of the Department in the matter of interpretation of Section 51 (1) (b) (c); for what I fear and know such orders are being passed in several districts and they are being executed without demur. As an officer said recently when spoken to on the matter, “those are cases in which small amounts have been involved and probably people did not consider it worth their while to test the legality of the procedure and patiently submitted to them.” I would earnestly appeal to the Department to set right the wrongs done hitherto, however small the amounts may be and issue a general circular to all the officers concerned. It might mean more work and dislocation but respect for legal procedure would demand the same.

Apart from this, the trouble is not yet over, at least it is not certain that it is over. Justice King says as per wording of the Act ‘that the Deputy Registrar had no jurisdiction to entertain a reference against *past Officers* of the society.’ In the matter in question, the defendants were only *ex office* bearers. The problem that would arise is suppose they are also office bearers *now*.

Can a reference lie for the actions done by them in 1928 ?

(i) Or to put it more concretely—Suppose A was a director in 1928. He ceases to be a director from 1928-1934. He becomes a director again in 1935. Can a reference lie against A (as he is an officer) for actions done by him in 1928 ?

(ii) To put the case in the C. M. P. more exaggeratedly ? If the petitioners in C. M. P. become *directors in 1936*, and if they are proceeded against again, are they prohibited from contending that they are immune from attacks for actions done in 1928 (leaving aside the possible legal bar of the High Court's order).

(iii) A present director who has been continuously in office from 1920-35, can he be made liable for acts done in 1921 ?

Office bearers come and go and departmental officers too follow suit. There should be a definite pronouncement on the matter, whether a present office bearer can be proceeded against for acts done as a past officer under section 51 ? I am sure that section 51 has no application to cases of insufficient security or of similar cases of error of judgment.

Again it is stated that surcharge provision contains a provision making a definite inclusion of "past officers." But the possibility of proceeding under that section is restricted to cases of misappropriation with such evidence as may sustain a criminal prosecution. That is not surely available in many cases. But that is no excuse for requisitioning section 51 to help.

Again the procedure of surcharge has not been controlled by any provision under Limitation Act. The big question whether the Limitation Act or in fact the Insolvency Act or other Act—applies has not yet been decided by any competent tribunal. The Legislature has not met the point and the Department is simply gliding on with advices vague and indefinite.

There is again another question. Under the Municipalities Act, a decision has come by which it has been settled once when the auditor has certified regarding the correctness of the account, it cannot be reopened later. If that were so will a similar interpretation apply ? If it does apply how can a 'past officer' be held liable under surcharge provision for past actions ? What is the merit and effect of an audit certificate, under the Co-operative Societies Act ? If the department wants to have a thorough scrutiny of all loans and make persons liable for indiscret acts, should not the audit certificate be made more extensive, so that the non official workers can work and leave their year of office with equanimity and without the possibility of being called upon to answer charges later on when their remembrance about their connection itself with the society will be vague. It is quite likely that one can be proceeded against in 1945 for acts done in 1930.

Again there are other defects in the rules. Adding puisne mortgagee-non members or not, building nature of their liability if added, permission to sue a liquidator only with the permission of the Department which is rarely granted, whether the District Registrar has powers to transfer an award-decree to another District Registrar for execution or whether it should be done through a court, whether execution can be

## AN IMPORTANT HIGH COURT JUDGMENT

taken in a civil court or a District Registrar's office within jurisdiction of which the defendant resides without transfer from the District Registrar who passed the decree or the court which has jurisdiction over the subject matter of the award, claim proceedings, and whether persons can go direct to civil courts without preferring claims, bonds obtained in co-operative execution and whether they can be assigned and whether they can be availed of in execution etc.

All these require an expert committee to sit and draft rules which have to be all embracing. I do not agree with some of the older co-operators who feel shy of legal procedure and say these ought to get themselves settled and undue importance to legal details need not be imported into the co-operative legal machinery. Every body knows that the movement is for the poor and the mediocre. If a legal machinery is installed, it should be done properly and it should not be done half-heartedly. Members of co-operative societies should not be compelled to seek interpretation of co-operative statutes in civil courts for more than one reason. They are poor and litigation spells disaster to the movement. Office-bearers and members will be terror stricken and one is not likely to know where he stands now and where he will be 10 years hence. The movement which is facing troubles in other directions need not be called upon to meet this also from their members and directors.

A view is suggested that the Sub-Deputy and Deputy Registrars should be persons with legal training. Though it is desirable, I am not for abolishing men who have done good service in the department even though they are not law graduates. Not that lawyers are mistake-proof ! All the same I would desire that a condition may be insisted hereafter that in the case of non graduates in law, they ought to pass a special test composed of Civil and Criminal Judicial tests and Hindu, Christian, and Mohammadan law of inheritance.

E. S. SUNDA.

### II

The recent decision of Mr. Justice King of the Madras High Court reported in *T. S. Narayana Aiyar and others v. The Co-operative Urban Bank, Ltd., Tinnevely* (69 M.L. J. 726) brings to light one more omission in the Madras Act VI of 1932.

It is held that a dispute touching the business of the Bank between a past officer and the Bank, though the past officer may continue a member of the Bank does not come within S. 51, cl.(c) of Act VI of 1932, and the Registrar has no jurisdiction to try such disputes.

This appears to be anomalous, and King Justice, himself realises it when he says, "*Prima facie* I would have been inclined to hold that cl.(c) would apply were it not for the fact that in Ss. 51 and 49 specific reference is made to past officers."

Even present officers can effectively oust the jurisdiction of the Registrar by resigning their office, when such disputes arise. And when the dispute touches a number of past officers of whom only some continue in office at the time of the reference, the jurisdiction will have to be shared in such cases between the Registrar and the Civil Court, and a conflict of decisions may arise.

A legislative amendment to S. 51 (c) adding the words "past or present" after the words officer, agent, or servant of the society, would appear to be the only way of removing this anomaly.

G. SWAMINATHAN.

## Recent Utterances.

Rao Bahadur C. Gopala Menon, who is a member of the Executive Committee of the Madras Central Land Mortgage Bank, recently delivered a lecture on land mortgage banks at the Ernakulam College under the auspices of its Historical and Economic Association. The following are extracts from the lecture :—

There is an awakening with regard to the agrarian problem all the world over and public men are now realising how important it is to raise the position of the ryot from the poor condition in which he is situated to-day. It was with this end in view that Co-operative Societies with Government help have been started and they have achieved remarkable success in the last 25 years. Short term credits have been given by these societies for a considerable period of time now, but the problem of meeting long term credits for debt redemption or for acquiring land for carrying on agricultural operations, though it occupied the attention of Co-operators from as early a period as the nineties of the past century it was left to the Townsend Committee to tackle the problem thoroughly and expound the basis on which the Land Mortgage Banks might work to redeem the indebtedness of the ryots. The main recommendations of the Townsend Committee are (1) that the bank be constituted with the primary land mortgage banks and individuals as shareholders, limited liability, dividend not to exceed  $7\frac{1}{2}$  per cent., borrowing power of the bank not to exceed 25 times the paid up capital, a Trustee to look after the interests of the debenture-holders, working capital to be raised by issue of debentures only which should have a charge on all the assets of the bank, interest to be guaranteed by Government on debentures issued by the bank in the first 5 years, debentures to be made trustee securities, maximum period of debentures and loans to be restricted to the same period, loans to be granted only to land mortgage banks, lending rate not to exceed 7 per cent., provision to be made for repayment of principal by collections for the creation of the sinking fund or by the bank purchasing its debentures or by periodical redemption of debentures, debenture-holders to be represented on the Board of Management.

On the lines of Townsend Committee's recommendation a Central Land Mortgage Bank was formed in Madras in 1929. Government helped the bank with a subsidy of Rs. 25,000 for its working expenses and a staff of two Deputy Registrars and ten Sub-Deputy Registrars to assist the primary banks in all their enquires. Government also guaranteed the interest on the debentures issued by the Central Land Mortgage Bank up to a maximum of Rs. 50 lakhs to be floated within 5 years. The

## RECENT UTTERANCES

Government to protect their interests appointed the Registrar of Co-operative Societies and a nominee of the Registrar approved by Government on the Board of Directors. The first Directorate of the Bank consisted of leading Co-operators, commercial and other leading men of the Province—all this contributed to the successful working of the Bank.

When the Central Bank was started there were only 21 Primary Land Mortgage Banks, but to-day there are 71 working. On 30th June 1935 there were 191 individuals who have taken shares to the value of Rs. 79,900 and 71 Primary Societies (paid up capital of Rs. 4,84,943.12-0) who hold shares in the Central Land Mortgage Bank for Rs. 1,58,500. The great success of the Central Land Mortgage Bank is that their debentures found a ready market except at periods when the money market was very tight. So far the Central Bank floated debentures to the extent of 75 lakhs; after redemption of debentures there stands on 30th June 1935 debentures to the sum of Rs. 50,92,000. The loans granted to Primary Land Mortgage Banks amount to Rs. 51,04,426, as against Rs. 33,82,150 on 30th June 1934. The loans repaid by primary banks during the year is Rs. 2,77,870. One note-worthy feature in the working of these institutions is that so far Central Bank was fortunate in having no arrears in the principal collections from the primary banks, with the result that the interest to the debenture holders was paid without difficulty. With the amendment of the Indian Trusts Act in the Central Legislature debentures of the Central Land Mortgage Bank were included in the list of Trustee Securities. This gave the debentures easy negotiability in the money market and the debentures are being sold at a premium to-day. In the year 1934-35 Central Bank's issue of debentures stood at Rs. 28,72,800 whereas in the year 1930-31 the first year of the bank's operation it was only Rs. 3,51,900.

The purpose for which loans are granted are (1) for redemption of agricultural land or liquidation of prior debts (2) for the improvement of land and (3) for the purchase of land in special cases. The principle adopted in the grant of loans on the mortgage of land is that the net income from mortgage lands is at least equal to the equated instalment to be collected on the loan advanced. Say for a loan of Rs. 1,000 the property mortgaged should at least yield Rs. 91 per annum, *i.e.*, total income must be Rs. 200 or over.

The procedure to be adopted in the preparation of the loan applications and their transmission to the Central Land Mortgage Bank may be briefly referred to. As soon as an application for loan is received it is of the utmost importance that the bank should obtain from the party all papers which help to establish the title of the applicant. Then the application is referred to the Supervisor of the bank and two Directors for investigation and report. Encumbrance certificates for the 23 years



prior to the date of application are obtained from the Sub-Registrar's Office. The Directors' and Supervisor's report, the encumbrance certificate and the other title deeds are forwarded to the legal advisor who will note his opinion in each case. The whole record will then be handed over to the Sub-Deputy Registrar who will scrutinize the papers and prepare a report of the results of his scrutiny. The chief points that have to be dealt with in the course of scrutiny are the extent and situation of the lands, the applicants other property and income therefrom, his family expenses now and in the future, his repaying capacity and the binding nature of the debts. The whole file is then sent up to the Central Land Mortgage Bank with his recommendation. An office note summarising the information in the records is then prepared and placed before the Executive Committee for final disposal. The conditions under which the loans are sanctioned are communicated to the primary bank which has to see that all those conditions are duly fulfilled. Usually all those interested in the property are required to join in the execution of the mortgage bond. It is generally the rule that not more than Rs. 5,000 should be advanced to any individual borrower. If the borrower happens to have more debt he will be asked to completely discharge the extra debt from his own resources and file a voucher for the complete discharge of the debt; the idea being that the borrower should not be indebted to any other body except the Land Mortgage Bank, *i.e.*, to ensure repaying capacity to the Central Land Mortgage Bank. It is left to the Central Land Mortgage Bank to reject a case which in its opinion is deemed unfit. If a case is sanctioned the sanction order is sent to the primary land mortgage bank which has to get the necessary documents executed by the borrower and return them to the Central Bank together with its assignment deed. If there is any error in the execution of assignment and mortgage deeds then a rectification deed will be called for from the primary bank. It is only when this is obtained that item will be disbursed.

A great benefit which the agriculturists in the province of Madras have acquired is the reduction of the rate of interest on mortgage loans, the present lending rate through mortgage banks being 6 per cent.

The one difficulty which has been put forward for popularising land mortgage banks in Malabar has been the Land Tenures of the country. But the tenancy laws have been so amended the different interests in land get a security of tenure and to that extent any loans advanced to these different parties are secured. A Jemmi can be given loan from the Land Mortgage Bank as a general rule, but there are cases where even loan on Jemmi right is not safe—because the Kanomdar and tenant sometimes produce improvements on the land which render the value of jemmi right on the land almost negligible—take for instance dry

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land and plantations, such as cocoanut, arecanut. There are cases where helping jemmi with Land Mortgage Bank funds creates economic trouble. Suppose a jemmi converts kanom lands into verumpattom lands by paying off kanom with the help of Land Mortgage Bank funds. This becomes an injustice in some cases especially when the Kanomdar has been in possession of the land for a very long time: especially when he is not hostile and defiant to the jemmies' interests.

When the land is held by the Jemmi and when he cultivates the land himself and is leased out to verumpattom tenants there will be no difficulty in advancing money to jemmi on that land.

The question then arises can money be lent out to Kanomdar and if so under what circumstances. When a Kanomdar is cultivating his own land as in old kanoms and when he has his homestead in the land it is necessary to help him to get out of his debts if any with loans from the Land Mortgage Banks. If this loan is not allowed a large and deserving class of occupiers of land will go without the help of the bank. Kanomdars, however, who have only money interest in the land, such as absentee Kanomdar, and whose margin or profit in the land has been affected by the creation of occupancy right to the tenant under the new Act and who had leased his land to cultivating tenants with a right to create improvements on the land—are not the class of people to whom money can be safely lent.

The next question is as to what class of verumpattom tenants to whom money can be safely lent—ordinarily the advance will not be safe—but there are cases in which it is safe and absolutely necessary to help him out of his trouble by lending money from a bank like the Land Mortgage Bank. There are a large number of hard working tenants who lease out land from kanomdar or jemmi for three purposes (1) for building a homestead (2) for cultivating paddy (3) for planting arecanut and cocoanut. Very often these operations are carried out simultaneously and the Malabar Improvements Act affords him great facility for acquiring property in this manner. The resources of these tenants especially those who plant cocoanuts become soon exhausted and they quickly run into debt owing to their difficulty in meeting the expenses required and their inability to wait until the tree begins to bear fruit and enable them to pay off the debt. There are many cases in which these deserving class of hard working tenants are forced to part with their property either to the money-lender or to the Kanomdar or jemmi. Some timely accommodation will be of great help to those people and the repayments of the loan in these cases are expected to be more punctual than those who depend upon their tenants for their income.

Great care, however, should be exercised in lending money on the security of cocoanut and arecanut plantations which require careful attention in looking after, which, without proper attention deteriorate and the bank will meet with great difficulty in realising money in the sale of these properties.

The following are extracts from the presidential address of Diwan Bahadur S. Aravamuda Aiyangar at the Holkar State Co-operative Conference held at Indore on the 25th November, 1935.

One need not be cowed down by criticisms. The biggest frauds have taken place in some of the leading joint stock banks and auditors with bewildering degrees have even been quietly issuing their auditors' certificates! Some Joint stock banks start to-day, only to be liquidated the next day, unceremoniously even before the flowers decorating the opening ceremony of the banks fade or lose their colour! But a Co-operative Bank's failure, even if it be in a thousand, a misappropriation by a wily Secretary is at once made the subject of talk in the bar-room, gossip in the bazaar and vituperation in places other than co-operative circles. Is it fair?

Human Institutions have their faults and every man does not turn into an ideal co-operator by mere membership. Failures alone should not be counted. Why not the success of the movement be also estimated? Has anybody seen the figure of the Common Good Fund of all the Indian Co-operative Institutions? Has anybody measured the social service which co-operative money has done? Will anybody enquire of the large sums paid by co-operative banks towards the Bihar Earthquake Relief?

I do not hold a brief for those that have behaved in an un-co-operative manner. They are traitors to the cause. Let them have a long rope to hang themselves with and once we are convinced of their guilt, let us not even scruple to put the knot tight round their neck. They shall have no quarter here or anywhere. But let not the instances of these guilty persons be the cause for disturbing our faith and conviction in a great cause, our devotion to a great movement and our still greater anxiety to render service to those, less fortunate than ourselves.

The Local Bodies can float debentures, take up extensive road connections from village to village in their area. Let this era be a Road-era for the Local Bodies. Road connections mean greater facility to the villager; easier modes of transport are afforded and to a great extent the difficulties in the way of removing the produce to a central co-operative godown of a sale society or even an ordinary store are avoided. This road-era will give the peasants *immediate* scope for employment in the road making close to their villages and the workless days will become

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income-earning days for sometime to come. This is again the time for taking up the repairs of our irrigation sources and channels. Labourers are there, wages may be moderate, monies are forthcoming, provided they can be used in safe investments. It is wrong to imagine that these days of economic depression imply want of resources. There is not an even-distribution. Monies are locked up in the hands of the rich and the middle class are prepared to lend them only on thoroughly safe lines. Any Government can float a loan and big irrigation repair projects can be taken up and the lives of many a starving peasant can be saved. Even in these enterprises, care should be taken that the respective co-operative officers of the locality immediately start one Irrigation Workers Society and the work is done through it. Else all the projects will have been in vain as it will be to the advantage of only a few. These and other suggestions can be immediately worked out. But all of them should be subjected to three conditions precedent:—

- (a) It should not involve migration of the villager to the city as it would only add to his expenditure.
- (b) It should imply the migration of money from the town to the village on beneficial enterprises.
- (c) The distribution of the money on the said enterprises should be through the medium of a co-operative society and not on an individual basis.

These may not mean time for launching. They ought to be taken up on hand at once. These only lead to national wealth while they have the effect of removing present biting poverty of a great many. We need not wait for programmes or theorists to evolve a permanent cure!

“Heavy overdues” is the cry everywhere. Steps should be taken to collect them but there should not be any unnecessary haste or undue delay. The statute should be suitably amended if necessary—as done in Madras—to suspend the management of an effete committee and hand it over to an influential person who may take steps to work and revive the society. Facilities for arbitration-references, execution of arbitration decrees through the department (Act should be amended if not done already) to avoid delay, giving necessary additional staff for execution are all the urgent things that have to be done.

The big problem of taking over the long term loan overdues of the primary society by any Land Mortgage Bank after testing them is a question you will have to decide, yourselves; so also the duration of the new loans any central bank can advance hereafter on short term basis.

Above all one thing has to be done. Stock-taking has to be made. The time has come when the central banks will have to know for themselves

at least now where their assets stand. For this, an intensive and speedy examination of individual loans will have to be gone through side by side with attempts at gradual realisation. This examination will show our real position and may embolden us to adopt a policy of good remission of overdue interest if the principal is forthcoming. Or some other concession policy can be launched. The Bank's money is the ryot's money. If we treat them properly and remove their debt-load *now*, we are only standing to gain by their transactions with us again. The immediate needs of the hour are the speedy examination of the loans and offering concession. The Banks, if they have not done them, ought to take them up at once. That is a service for which the customers are bound to be ever grateful and as *co-operative* bankers, the greatest measure of help will have to be done by us.

*Common Good Fund :—Propaganda. Training Institutes.*

This fund is considered by a great many as composed of charity doles! The money of the fund ought to be properly safeguarded and utilised. A great percentage of this fund can be immediately earmarked by all the co-operative institutions—can be even done by an order of the Registrar—and the same be handed over to the Chief Propaganda Body of the State to be utilised for the purpose of training Panchayatdars and Supervisors and Inspectors. If funds permit, a Co-operative College to offer instruction for Secretaries, Managers and others of Urban institutions can be also thought of. In any case, an adult school in a village coupled with panchayat training is absolutely essential for the success of co-operation and in fact for our national revival. There are enough funds with us. We can make a beginning and the Government will surely entrust us with more funds for the purpose, when once we show we have spent *our* money well.

*Elections and Co-operative money.*

Before I conclude, I may be permitted to utter a warning. Office bearers of co-operative societies have been found in several places to have used co-operative money obtained by means of benami or direct loans for the purposes of their elections in Local Bodies or Legislatures. It is a tragedy; the result is that they find difficulty in repaying the same. In several provinces, the Registrar has drawn attention to this fact and stated that the office bearers of co-operative institutions shall not have anything to do with local bodies, not only to avoid the above said expenditure but also to avoid the importation of local bodies' party politics in co-operative matters.

The following are some extracts taken from the presidential address of Mr. V. Ramadas Pantulu at the Central India, Rajputana and Gwalior Co-operative Conference held at Indore on the 26th November, 1935.

*How to resuscitate the Movement.*

At a time when the Co-operative Movement is passing through an unprecedented crisis, owing to a variety of causes, moral and material, it is difficult to decide upon the most suitable approach to the problem of how to reform and rehabilitate the Movement. Co-operators have to admit that to-day the failures of the movement are more prominent in public estimation than its achievements—that the deterioration that has crept into our daily activities is attracting more attention, than the idealism and the cardinal principles of Co-operation, for which we profess to live and work. The main cause for this regrettable turn in the fortunes of the Movement, in my opinion, is moral more than material. Material causes like the continued and prolonged economic depression and bad business methods have undoubtedly contributed in a very large measure to the deterioration of the Movement. Nevertheless, the Movement has still sufficient vitality left in it to weather the economic crisis and to extricate its business from the muddle which it has got into if it can command the necessary *morale*. It is my sad experience that schemes for arresting further deterioration of the movement and improving the working of our institutions are, in some places, held up, if not thwarted, by the utter absence of the spirit of co-operation and disciplined action. It is a humiliating spectacle to find in these days of our travail and trial, that the services of the “friend, philosopher and guide” of the movement, the Registrar—are in requisition more to decide quarrels among co-operators, to chastise committees engaged in internecine warfare, to appoint dictators who replace boards which have ceased to function, and to detect frauds, than to help co-operators to expand, strengthen and popularise the movement. It is claimed by us that ‘Union,’ ‘Justice’ and ‘Peace’ are the three spiritual and moral basements upon which are lying the foundations of the co-operative movement. If Union gives place to Dissension, Justice to Wrong and Peace to Strife, does it not mean that there is an end of Co-operation? And yet, that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in Co-operation have also found their way into the Movement. All this must cease. If we are to arrest the further deterioration of the Movement and make any progress at all, we want men and women who live and work in an atmosphere of co-operative idealism, promoting loyalty to the Movement and discipline among its ranks. We must realise that our co-operative institutions are not mere soulless repositories of money and merchandise, or rendezvous of book-keepers, clerks, accountants and

auditors. They are living institutions depending on our devoted and selfless services which demand the exercise of the highest qualities of head and heart, than those engaged in the services are capable of. The salvation of the Movement and its future, therefore, depend upon co-operators, official and non-official, high and low, paid and unpaid, bringing to bear on their daily task co-operative ideology in a true spirit of service and sacrifice. The first and foremost solution, therefore, for the resuscitation of the Movement is the rehabilitation of co-operative ideals and the development of co-operative conscience.

### *Rural Indebtedness.*

The problem of providing rural credit promptly and adequately for the pursuit of agricultural occupation is, to my mind, wholly different from that of liquidation, redemption, reduction, conciliation or adjustment of standing prior debt of the agriculturists. The mixing up of rural "credit" and rural "indebtedness" has led to so much avoidable confusion of thought both in envisaging the problem of rural indebtedness and in searching for remedial measures. I have already said that rural societies can deal only with *rural credit* and not directly with *rural indebtedness*. It is true that by developing a sound system of productive rural credit, the rural societies can control the growth of unproductive rural indebtedness, bring down the excessive rates of interest charged on rural finance and eventually reform, if not displace, the present system of money lending. But the effect of these services on rural indebtedness is indirect and not direct. In order to deal directly with indebtedness we want either state-aid or land mortgage banks or both. There can be no doubt that land mortgage banks will prove a blessing to a certain class of agriculturists possessing the prescribed standards of repaying capacity, for they will be enabled to improve the margin of their savings by the replacement of prior usurious debts by loans borrowed from land mortgage banks which carry substantially lower rates of interest. But, I feel that the hopes raised in the agriculturists' mind regarding the efficacy of land mortgage banks to deal effectively with rural indebtedness, or some what extravagant. The operations of these banks cannot, even in Madras where they are working fairly well, in my opinion, be expected to touch even the fringe of the problem of rural indebtedness viewed as a whole. A careful study of some surveys made in typical areas in my part of the country, in order to ascertain the total volume of chronic debt and the proportion of it which can be handled by land mortgage banks working in the areas surveyed, has revealed to me that the latter was an insignificant fraction of the former. When harnessed to debt conciliation schemes, land mortgage banks may be able to handle a few more cases of indebtedness, but will not offer any general

relief to the average indebted agriculturist, for the bulk of such agriculturists are unable to furnish the security or satisfy the standards of repaying capacity prescribed by the land mortgage banks.

The root cause of rural indebtedness is chronic poverty ; in other words, rural indebtedness is the result and not the cause of poverty of the rural masses. In my humble opinion, therefore, the real solution to rural indebtedness is effective State action to improve the earning capacity and economic prosperity of the agriculturists. The State by revising its fiscal and economic programme, pursuing an enlightened agrarian policy, lowering the burden of taxation, affording protection to agriculture by tariffs and subsidies and adopting other suitable remedial measures, should remove the operation of the causes that contribute to the chronic poverty of the rural masses. This is the main line of attack of the problem of rural indebtedness. The second line of attack lies in the organisation of production and marketing of agricultural products by the States so as to make agriculture a paying industry resulting in an increase in the margin of savings of the agriculturists. Provision for power, encouragement of industries subsidiary to agriculture, organising the transport system with due regard to the agricultural interests and the like fall under this head of action. A third line of attack which is now much talked of but in regard to which little has been done, is bold and far reaching legislative action by the State, for the modification of the contractual and processual laws governing the determination and recovery of debts, regulation of money lending, abolition of usury by placing stringent limits on rates of interest that may be charged, the simplification of the Insolvency Law to suit rural conditions, and inauguration of schemes for compulsory conciliation and adjustment of debts. But the action attempted to be taken on these lines hitherto has been very timid ; and the debt conciliation and agriculturists' relief bills so far passed by some provincial councils are very ineffective measures.



## Letter regarding G. O. on Building Societies.

From

The President

The Sivajipuram Co-operative House Building Society, Ltd.,

Tanjore.

To

The Registrar of Co-operative Societies, Madras.

Through

The Deputy Registrar of Co-operative Societies, Tanjore.

*Subject* :—Amendment of Rule 8 of the rules for the grant of state loans to co-operative building societies—Hardships caused by G.O. 1297—requesting suitable modification by addressing the Government.

Honoured Sir,

By reason of the amendment now made by the Government to rule No. 8 of the aforesaid rules, we are afraid that a serious hardship would be caused to the house building societies who have borrowed loans from the Government, if as stated in sub-paragraphs 1 and 11 of para 2 of the amended rule No. 8, the amount of subsequent instalments due by a society, even when it has made an excess payment over and above its due instalment, is not proportionately reduced and the Government requires the payment only of such proportionate amount alone.

To take a concrete case : A society consisting of 10 members borrows from the Government Rs. 10,000 and stipulates that annually Rs. 500 shall be repaid. The sum borrowed is taken by the ten members at Rs. 1000 each and they agree to pay to the society the same in annual instalments of Rs. 50 each. The society while it is working and all the members are paying their dues every month, collects the same from them and pays it to Government. It happens that sometimes some members get a lump sum into their hands and think of paying up their entire dues to the society and thereby wipe off their loans. Let us take the case of a society where there are eight such members who after five years of taking their loans, do so pay up their dues to the society and the society pays all the money got by them from their members into the Government Treasury towards the discharge of their loan. In the sixth year, the society will be in a position to get from its members who are then indebted to the society, only a sum of Rs. 100 and if the Government were to insist on the amount of the instalment to paid to them *i.e.* the same Rs. 500, where is the society to go? Is it the intention of the Government, that the society under such circumstances should go about in the open market for raising a loan at some expense to the society, to pay up the balance of Rs. 100. That would certainly be bad co-operation, and unless there is a provision in the rules, for a proportionate reduction in the amount of the instalments, when a good portion of the societies' dues to the Government are paid up and their own dues are also wiped out by the members, it would work out the serious prejudice of the societies and the result will be default—and again default in the payment of Government dues, with the result, that the Liquidator will step in, and there will be a general condemnation that all co-operation is a failure.

So, we feel that the words in the rule "nor the amount of subsequent instalments be reduced" in sub-paras 1 and 2 of para 2 of

## LETTER REGARDING G.O. ON BUILDING SOCIETIES

rule No. 8, has not been happily conceived, taking into consideration, such a difficulty as aforesaid, and it would behove the Government and all the authorities concerned to have the same reviewed and suitably amended as to give to the societies the benefit of proportionate reduction in the payment of future instalments if and when the society pays a good portion of the dues to the Government.

In our society, the difficulty, set forth above is present, and we are therefore anxious that every effort should be made for the revision of the rules as to give a proportionate reduction in the amount of the subsequent instalments, as in the case said above and in other possible cases. No doubt there will be no hardship to the individual members by the amendment to the by-laws proposed by 53-A, as it will only mean that they will have to be paying up their instalments so long as their debts are not wiped out, but in the case of the society, the amendment will be a hardship.

I beg to remain,  
Honoured Sir,  
Your most obedient Servant  
(Sd.) R. RANGASWAMY AIYANGAR,  
*President.*

## Publications of the International Labour Office.

### INTERNATIONAL DIRECTORY OF CO-OPERATIVE ORGANISATIONS

The *Directory* gives details of (1) the international co-operative organisations; (2) for each country, the confederations and federations covering the whole country; (3) in some exceptional cases, those organisations which, without being national, are the chief or only representatives of a particular form of co-operation.

It gives the title of each organisation and a translation into French, English and German, its address, the date of foundation, the chief officials, its journal, its national and international affiliations and its membership. It presents, in the form of tables, figures relating to the various activities of the organisations, and tables summarising the statistics concerning federations and central co-operative organisations and their affiliated societies.

The last edition was published in 1933. **A new edition will be published about the beginning of 1936.**

GENEVA, 1933. VIII + 201 pp. . . . 2s. 6d.

*This publication may be obtained from*

**International Labour Office, Geneva, Switzerland,**

OR FROM

**Mr. P. P. PILLAI, International Labour Office,  
(Indian Branch), NEW DELHI.**

## Correspondence.

### THE SALEM CITY CO-OPERATIVE STORES, LTD., AND ADMISSION OF CO-OPERATIVE SOCIETIES AS MEMBERS.

To

The Editor,

Madras Journal of Co-operation.

Sir,

The by-laws of the Stores were got amended so as to enable the admission into it as members institutions as well as individuals. By-law No. 5 regarding membership reads as follows :—

“Any person over 18 years of age who is competent to contract residing within the limits referred to in the third sentence of By-law (1) or any institution operating within the said limits shall be eligible for admission as a member, but no person or any institution can claim admission as a matter of right.”

The secretary, thereupon, issued a circular to the several co-operative institutions in this District—urban societies, rural societies, and co-operative unions—inviting them to join as members and purchase their requirements of stationery such as paper, ink, pencils, pen-holders etc., which were stocked in large quantities so as to enable the Stores to effectively serve the needs of these numerous co-operative concerns. There are more than 400 institutions in this district within the limits of the jurisdiction of the Stores.

The Deputy Registrar, however, for reasons best known to himself, advised the institutions not to join as members, and has been successfully dissuading them from co-operating with the Stores, by responding to its request. He has also been repeatedly writing to the Stores to refund the subscriptions advanced to it by a few institutions despite the mandates of the Deputy Registrar. Though we wrote him more than once that the refund is not permissible and that his view regarding the scope of the by-law is erroneous, he would, without answering our protest, simply repeat his request for refund. Obviously he has no legitimate objection to our course.

It is much to be regretted that men put in charge of a nation-building department should be so perverse in their views and stand in the way of the progress of the movement.

(Sd.) N. RAMA RAO,

*Secretary.*

ARREARS DUE BY THE PRIMARY  
LAND MORTGAGE BANKS.

To

The Editor,

Madras Journal of Co-operation.

Sir,

I have read your editorial comments on the proceedings of the Conference of the Land Mortgage Banks last month with interest. The arrears due by the members of the Primary Banks are due to the foreclosure of the loans during the past three years. Of these loans, 11 loans for Rs. 22,390 were already decreed and 19 loans for Rs. 40,967 are awaiting disposal by arbitrators. These foreclosure suits were instituted by Primary Banks on account of a by-law which left no option to the banks in the event of the member making default of single instalment of the loan for a period of three months. This by-law was very hard and compelled the primary banks to institute suits unnecessarily. Under the altered by-law some amount of discretion has been given to the banks to institute suits only in cases where the proceedings are absolutely necessary. If the primary banks are satisfied that the amount can be recovered otherwise than by the institution of a suit, it can now with the permission of the President of the Central Land Mortgage Bank institute suit only for the principal amount of the instalment. Some of the borrowers under the loans in which decrees have been obtained are since paying up their arrear instalments and re-opening their loans with the approval of the Central Land Mortgage Bank. In these circumstances, the position is not so bad as your note makes out. The Primary Banks are doing all that they can to insist on punctual payment by the borrowers.

(Sd.) M. RAMACHANDRA RAO.

[We are very glad to learn that the position of the primary banks is better than we had thought. *Ed.*]

## News and Notes.

The Cochin Co-operative Land Mortgage Bank was registered recently under the Co-operative Societies Regulation of the Cochin State. Sir C. V. Anantakrishna Aiyar, Retired Judge of the Madras High Court has agreed to be the Chairman of the Board of Directors and Rao Bahadur C. Gopala Menon of Madras as one of the Directors.

\* \* \*

An interesting suggestion is made by a correspondent that a rule may be made, permitting the representatives of only A and B class societies to be directors of central banks and that of defaulting societies be debarred from the directorate. As things are in our presidency, we wonder how many will be able to get the required number of directors to work the banks.

\* \* \*

The co-operators of England deserve to be congratulated on nine co-operative candidates having been successful in the last general election, against only one in the previous election. In the new Parliament there will also be Trade Unionists who sympathise with the co-operative movement and the co-operative case will, we are sure, command much stronger support than it did in the years 1931 to 1935.

\* \* \*

The report of the Hood Co-operative Institute, Tanjore, states that the third session of the rural workers class was conducted as usual under the auspices of the Institute in June last and that 52 candidates were trained, of whom one was a lady. Most of them were village teachers. Instruction was imparted in Tamil in subjects such as Co-operation, Agricultural, Rural Sanitation, Hygiene etc. At the end of the course a written examination was held and 43 candidates came out successful. Certificates were issued to them.

\* \* \*

Mr. J. P. Joshua, M.A., of the Madras Christian College, who is well known here for his social work, is at present in England taking special courses at Liverpool. Addressing the members of the Balloon-street Luncheon Club on "Rural India" in November last, he said that 90 per cent of the people in India were illiterate and that this illiteracy was a great stumbling block to the progress of India. A reform which was having a remarkable effect on village life was the formation of co-operative societies. Those societies were bitter enemies, he said, to ordinary money-lenders and now the struggle for many years was between societies and the money-lenders.

At the first Kurnool District Elementary School Teachers' Conference held at Nandyal, a few days ago, Mr. C. Joseph Reddi, Sub-Deputy Registrar of Co-operative Societies, Kurnool, spoke on 'Village Teachers and Co-operation.' Mr. Reddi said that in villages it was quite common to find presidents and secretaries of co-operative societies who could hardly read and write. It was there that the village teacher could help the co-operative movement. If only he could equip himself with a knowledge of the principles of co-operation, he could impart that knowledge to the village folk and thus do a real service to the movement. He appealed to the teachers present to organise informal co-operative societies for boys in their respective schools.

\* \* \*

Dr. Spencer Hatch of Trivandrum, who was on a visit to Pudukottah, recently had an informal discussion with the prominent officials and non-officials of the State on 'Rural Improvement.' Speaking about co-operation, he said, that generally they failed in their objective for the inspectors of the State were saddled with too much work. Replying to some of the questions by those present Dr. Hatch said that villagers must make efforts to do things for themselves and the Government would come forward to help them whenever necessary and offer them expert advice. He suggested that subsidiary industries such as bee-keeping and poultry-farming, which were the important industries of the State should be run on improved methods.

\* \* \*

During the last co-operative year the Tinnevely District Co-operative Central Bank practised severe retrenchment of staff owing to the shrinkage in loan transactions. The heavy surpluses had been invested in G. P. Notes. By selling a portion of them the Bank made a profit of nearly Rs. 45,000. The rate of interest to societies which was  $6\frac{1}{2}$  per cent last year has been reduced to  $5\frac{1}{2}$  per cent in the current year. The overdues under principal and interest were 50.2 per cent and 9.1 per cent respectively. But an examination of individual loans in 61 societies has revealed the fact that the loans are generally well secured and that loans of only Rs. 1,869 out of Rs. 2.45 lakhs might lead to loss. The Bank earned a net profit of Rs. 69,395-10-0.

\* \* \*

The Directors of the Vizivada Co-operative Bank, Bezwada, claim in their administration report for 1934-35 that their Bank was the first to reduce the lending rate to societies from 6 per cent to 5 per cent on condition that the societies should lend to their members at  $6\frac{3}{4}$  per cent. It issued loans amounting to Rs. 4,36,237 to the societies during the year and recovered Rs. 3,76,493. The percentage of balance to demand under principal amounted to 24.46 as against 32.75 of the previous year; but that under interest remained unchanged at 4.4 per cent. Under the

rectification scheme of the Registrar, 60 societies were examined. Out of loans amounting to Rs. 1,84,760, the bad debts are estimated to be Rs. 16,444. The working of the bank during the year under review resulted in a net profit of Rs. 5,715-5-0.

\* \* \*

The Government of Madras having decided to try the experiment of giving loans for debt redemption in East Godavari and Chingleput, the Rural Reconstruction Centre at Alamuru arranged for a conference of agriculturists in order to give an opportunity to the Special Loans Officer to explain the terms and conditions of the proposed loans. He explained among other things that it was proposed to limit loans to persons whose property was not worth more than Rs. 3,000 and that the indebtedness should not be more than Rs. 2,000. Mr. N. Satyanarayana, Convenor of the conference, voiced the opinion of the ryots that the limit of Rs. 3,000 was low for the area and if the relief measure should benefit any considerable class the property limit should be raised to Rs. 10,000.

\* \* \*

In 1922 a California judge rendered judgment on a loan of \$ 100 made in 1897, with interest at 10 per cent. monthly, compounded monthly. The amount of the judgment, which required a staff of clerks several days to compute, was the immense sum of \$ 304,840,332,912,685. 16—all out of a \$ 100 note in 25 years! Needless to say the judgment was not collected. One dollar placed at simple interest at the time of the birth of Christ, at 4 per cent. would amount to merely \$ 78'24; compounded annually the amount would be, in round numbers, \$ 600,000,000,000,000,000,000,000,000,000,000,000,000!

*(Manitoba Co-operator.)*

\* \* \*

As co-operators we boast that our organizations are thoroughly democratic, that we follow the principle of one man one vote and that every member has an equal voice in the control of our mutual affairs. But if only a few attend the meetings there is not much democracy after all. The annual meeting of the local organization is the members' opportunity to make their control effective. It is the place to get information as to how the business has been conducted during the past year and to express approval or disapproval of the actions of the directors and officers. It is the place to elect new directors and to inform them as to the wishes of the members and to appoint delegates to represent the locals at the annual meetings of the central organizations. These duties should not be left to a few: every member should be on hand if it is physically possible.

*(Manitoba Co-operator.)*

# LIST OF SOCIETIES REGISTERED AND LIQUIDATED

## List of Societies Registered in November Last.

S. No.	Name.	District.
1	Mangalapuram Better Living Co-op. Society ...	Madras City.
2	Perambur Co-op. Building Society ...	„
3	The Madras Co-op. Sugar Marketing Society ...	„
4	Kesavanallathur Weavers' Purchase and Sale Society.	Chingleput.
5	Rozanagaram Weavers' Purchase and Sale Society.	„
6	Ekkadu Weavers' Purchase and Sale Society ...	„
7	Iyyangar Gualm Sri Subrahmania Better Living Society.	„
8	Nidubrolu Crop Loan and Sale Society ...	Guntur.
9	The Tengal Cambli Weavers' Co-op. Purchase and Sale Society.	Anantapur.
10	The Idaichivilai Co-op. Better Living Society ...	Tinnevely.
11	Parapadi Co-op. Society ...	„
12	Pappinisseri Co-op. Stores ...	Malabar.

## List of Societies whose Registration has been cancelled in November Last.

	Name of the Society.	District.	Date of Cancellation
1	Mukundagiri Land Holders' Lease C. S. ...	Chingleput	27-10-35.
2	Namakkalpalayam C. S. ...	Coimbatore	4-11-35.
3	Murungapettai Fishermen C. S. ...	Trichinopoly	4-11-35.
4	Kannigaiper C. S. ...	Chingleput	5-11-35.
5	Agricultural Subordinates C. S. ...	Bellary	5-11-35.
6	Nellore Co-op. Paddy Sale C. S. ...	Nellore	5-11-35.
7	Arkonam Co-op. House Building C.S.	North Arcot	5-11-35.
8	Ramalingapuram C. S. ...	Chingleput	6-11-35.
9	Arigathurai C. S. ...	do	6-11-35.
10	Rayadrug Govt. Servants' C S. ...	Bellary	6-11-35.
11	Madapalli Mogers' C. S. ...	Malabar	7-11-35.
12	Kallur C. S. ...	do	8-11-35.
13	Perumbakkam C. S. ...	Chingleput	9 11-35.
14	Chittampur C. S. ...	do	11-11-35.



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	Name of the Society.	District.	Date of Cancellation.
15	Kadalamangalam C. S.	... Chingleput	... 11-11-35
16	Narrikkode C. S.	... Malabar	... 12-11-35
17	Nelvoy Co-op. Supervising Union	... Chingleput	... 15-11-35
18	Teethalam F. L. C. S.	... do	... 20-11-35.
19	Kakarlamudy C. S.	... West Godavari	... 20-11-35.
20	Ayyamcheri C. S.	... Chingleput	... 20-11-35.
21	Dandagara C. S.	... West Godavari	... 20-11-35.
22	Porpadakurichi C. S.	... South Arcot	... 21-11-35.
23	Nagar C. S.	... do	... 21-11-35.
24	Mamanandal	... do	... 21-11-35.
25	Kancharlapalem Adi-Andhra C. S.	... Guntur	... 22-11-35.
26	Arasakughi C. S.	... South Arcot	... 22-11-35.
27	Vellapandal C. S.	... Chingleput	... 23-11-35.
28	Kallakurichi Spinners and Weavers C. S.	... do	... 25-11-35.
29	Rayadurg Local Board Employees C. S.	... Bellary	... 26-11-35.
30	Thanakolathur C. S.	... Malabar	... 26-11-35.
31	K. Thiruvuvarangam C. S.	... do	... 27-11-35.
32	Narikelapalli C. S.	... Guntur	... 28-11-35.
33	Vadakailasm C. S.	... South Arcot	... 28-11-35.
34	Vettapattu C. S.	... North Arcot	... 28-11-35.

# G. O. and Registrar's Circular.

## GOVERNMENT OF MADRAS,

### *Abstract.*

Co-operative Societies : Central Land Mortgage Bank—Debentures—  
Government guarantee—Increase from Rs. 50 lakhs to Rs. 100 lakhs—  
Sanctioned.

### DEVELOPMENT DEPARTMENT.

G. O. No. Ms., 1648.

*Dated 26th November 1935.*

### ORDER.

In notification No. 353, dated 2nd October 1934, published at page 1825 of Part I of the Fort St. George Gazette, dated 9th October 1934, the Government of Madras have declared that all debentures issued by the Board of Directors of the Central Land Mortgage Bank under sub-section (1) of Section 4 of the Madras Co-operative Land Mortgage Banks Act, 1934, on or subsequent to 31st July 1934 redeemable within a period not exceeding 25 years from the date of issue and bearing a rate of interest not exceeding 5 per cent. per annum shall be fully and unconditionally guaranteed by the Government as regards the principal and interest, provided that the total aggregate face value of the debentures carrying the guarantee shall not exceed Rs. 50 lakhs, exclusive of the value of such debentures as may have been redeemed by the Board from time to time. Under Sub-section (2) of Section 6 of the Act aforesaid, the Government after consulting the Legislative Council, are now pleased to increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Central Land Mortgage Bank to a total face value of Rs. 100 lakhs exclusive of such debentures as the Bank may from time to time redeem, subject to the periods of issue and the rate of interest specified in the notification No. 353, dated 2nd October 1934 referred to above. The Government have no objection to the inclusion of the terms of this further guarantee in the debentures to be issued by the Bank which satisfy the foregoing conditions.

(By Order of the Government, Ministry of Public Works).

C. A. HENDERSON,

*Secretary to Government.*

B. 7318/35.

OFFICE OF THE  
OF CO-OPERATIVE SOCIETIES,  
*Madras, 3rd December 1935.*

T. AUSTIN ESQ., I. C. S.,  
*Registrar of Co-operative Societies.*

CIRCULAR.

*Sub: Loans—extensions for repayment of old loans Resolution No. VII—passed at the XXI Madras Provincial Co-operative Conference.*

In the first part of the resolution quoted it has been resolved "that extension of time for the repayment of loans be given to members of co-operative societies, who give proper security as cover, for periods extending up to ten years". The matter has been already considered by the Registrar and instructions issued on the subject. The attention of the officers of the Department and of the District Co-operative Central Banks is invited to the scheme drawn up by the Registrar for adoption by the central banks for an intensive examination of all outstanding loans in primary societies. In paragraph 2 of the scheme it has been laid down that only borrowers who can be relied upon to pay out of income should be given extension of time and that the period of extension shall not ordinarily exceed one to three years. The Registrar has no objection to have the limit of extension ordinarily between 3 to 5 years. Extensions for longer periods will not be desirable or necessary, in the ordinary circumstances. In *exceptional* cases the periods may however be extended up to 10 years, regarding being had to the special circumstances of the members concerned, the working of the society and the financial resources of the Central Bank.

(By Order),

K. A. PADBHANABHAN,  
*Manager.*

# THE Madras Journal of Co-operation

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[No. 8

*The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.*

## Editorial Notes.

### The Late King Emperor.

Co-operators in India, like other people living in the British Empire, are immersed in sorrow at the passing away of the late King Emperor George V. When a few months ago His Majesty's Silver Jubilee was celebrated with great enthusiasm all over the Empire, no one ever thought that so soon his loss would have to be mourned. His innate nobility, his sympathy with all classes of his subjects, and the ease and grace with which he moved with them endeared him to one and all; and at a time when thrones and empires tumbled down elsewhere, he made the British throne more loved than ever. His Majesty had real faith in the co-operative movement. When he was in India for his coronation, in reply to the Delhi Municipal address on the 13th December 1911, he said, "If the system of Co-operation can be introduced and utilised to the full, I foresee a great and glorious future for the agricultural interests of the country." On behalf of the co-operators of this province we offer our humble and deep sympathy to Her Majesty and the other members of the Royal Family in their sad bereavement and our loyalty and best wishes to His Majesty Edward VIII, whose tremendous popularity as Prince of Wales in every part of the Empire is a sure indication that he will closely follow the example of his illustrious father.

Mr. V. Ramadas Pantulu, President of the Madras Provincial Co-operative Union, and of the All-India Co-operative Institutes' Association, and Member, Central Committee, International Co-operative Alliance, London, has sent the following message to the Private Secretary to His Majesty the King :—

“ On behalf of the Co-operators of India, I offer our sincere condolences to the British Royal Family on the demise of His late Majesty, who gave unforgettable expression to his great faith in co-operation at the Coronation Celebration, 1911, and who was a great factor in national and international co-operation, and also offer our respectful homage to His Gracious Majesty Edward VIII on his accession.”

### The Late Messrs. T. K. Hanumantha Rao and V. C. Rangaswami.

It is our great misfortune to have lost two of our prominent and useful co-operators in the month of January last—Rao Sahib T. K. Hanumantha Rao and Mr. V. C. Rangaswami. Death came to them rather suddenly and unexpectedly, as they were attending to their usual work till the end. Mr. Hanumantha Rao was a veteran co-operator and was sixty-eight at the time of his death. He was one of the fourteen founders of the Triplicane Stores, and no one during all these thirty-one years of its existence has done more than he by word and deed to make it work on right lines and to make it known outside Madras City. Mr. Hanumantha Rao was born with the gift of propaganda. He was the delight of audiences and his eloquence was usually irresistible. If, wherever there is a considerable colony of South Indians, a co-operative store is started and successfully managed, as in Bombay, Nagpur and other places, if co-operators of other provinces see in South Indians what they call the “ Triplicane Spirit,” it is due to the example and precept of Mr. Hanumantha Rao more than to any other single cause. His name is a household word in every co-operative store in this province and in Mysore. It was the dear wish of his heart to see the Triplicane Store develop into a wholesale society with banking and educational sections as in England. Though he did a certain amount of educative propaganda in this direction, his wish was not fulfilled, owing, we believe, chiefly to the fact there is not yet sufficient business in our store societies to maintain a wholesale. He was Chairman of the Reception Committee of the Madras Provincial Co-operative Conference in 1926. He was a Professor of Chemistry in Government service, but it used

to be humorously said that his students always learnt more co-operation than chemistry—he used to be so full of it. During the last few years he devoted himself to the building up of the Triplicane Fund. He had the satisfaction of seeing it firmly rooted and located in a good building of its own. Mr. Hanumantha Rao will undoubtedly be remembered long for his splendid idealism and continued devotion to the cause of the consumers' movement. We offer our sympathy to the members of his family.

Mr. V. C. Rangaswami was the son of Sir V. C. Desikachariar who was one of the founders of the Madras Central Urban Bank which is now known as the Madras Provincial Co-operative Bank. Sir V. C. Desikachariar was its honorary secretary for some years after it was started. Mr. Rangaswami joined it in 1911 as its honorary assistant secretary and was later appointed as its paid secretary, in which capacity he served the institution efficiently and conscientiously for over twenty-three years. He was ever ready to help the Madras Provincial Co-operative Union as examiner and lecturer for the training classes organised by it. He was of the greatest help to the Ramakrishna Students' Home, Mylapore, in the industrial section of which he took a special interest. He was a worthy son of a great pioneer of the co-operative movement in this province. Though for some years he was keeping indifferent health, his death was sudden and unexpected. He was only about fifty years of age and should ordinarily have given many years of service yet to the co-operative movement. We offer our deepest sympathy to Mrs. Rangaswami and the other members of the bereaved family.

## The Travancore Co-operative Conference.

We have published as supplement to this issue the address delivered by Mr. V. Ramadas Pantulu as President of the eighth Travancore Co-operative Conference on the 14th January last. The conference was convened chiefly with a view to discuss the recommendations of the Devadhar Enquiry Committee and the Bill drafted by it in amendment of the present law relating to co-operative societies. Mr. Pantulu's address covers a wide field and generally condemns the stiffening of official control over the movement. Only to one point we should like to draw particular attention on this occasion. In the note appended to his address on the Bill drafted by the Committee, he urges that unlimited liability should not be made compulsory for agricultural societies, but that it should be

made optional. He rightly points out: "There is no particular reason why societies composed of a majority of agriculturists should necessarily be of the unlimited type. It must be a matter of choice and not a statutory compulsion. Formation of new societies will be difficult under such compulsion. Liability, even of the limited type, can, if so desired, be augmented by provision for some reserve liability on shares or some other basis." The conviction is growing in the minds of experienced co-operators that unlimited liability is not so suited to our country as it was once believed to be. We pointed out recently that in Japan unlimited liability was the exception and not rule. Unless unlimited liability is given up and substituted by limited liability—with if necessary reserve liability added, as suggested by Mr. Ramadas Pantulu—there is very little chance of improving bad societies at all. We understand that in the United Provinces an attempt is being made to persuade the Local Government to exempt non-borrowing members of a society from the operation of unlimited liability, under the proviso contained in section 4 of the Co-operative Societies Act of 1912. That section lays down where liability shall be unlimited and where it shall be limited, "unless the Local Government by general or special order otherwise directs." So the co-operators of the United Provinces are seeking to induce the Local Government to direct by a general or special order that unlimited liability shall not apply to members who join a society without the intention of borrowing from it. We wish every success to the attempt of our brethren in the United Provinces. Travancore has a very good opportunity to benefit by the experience of the whole of India and we hope it will not miss the opportunity.

### Liberal Federation Resolutions.

The National Liberal Federation which met at Nagpur in the last week of December adopted only a few resolutions, but among them were two which may be described as belonging to the platform of co-operators. One was on rural uplift in the following terms:

"While the Liberal Federation notices with satisfaction the practical interest with Government are at last evincing in rural uplift, it regrets that they are working with inadequate funds and mainly through official agency and are spending an excessive part of the available money on salaries of staffs and establishments. In the opinion of the Federation the work can be done economically, yet efficiently, through trained unofficial agencies, as far as possible."

The resolution was moved by Dewan Bahadur C. M. Gandhi, President of the Co-operative District Bank, Surat, and a veteran co-operator. The agency employed for rural uplift in North India, particularly in the United Provinces and the Punjab, is mainly official. Such agency may be able to show good results for a short time owing to an all-round exercise of official pressure, but the whole effort evaporates when that pressure is removed, as happened in Gurgaon district in the Punjab. That the official agency is costly is self-evident, but another inherent defect in it is that the personnel is changed too frequently for the work to be efficient. Our province could perhaps claim to have supplied the most convincing illustration of the unsuitability of the official agency in its Tiruvellore project. A number of well paid officers from different departments—whose combined salaries amounted to several thousands of rupees each month—were concentrated in Tiruvellore Taluk, were reported to be very busy there for the best part of a year, and suddenly it was announced that the project was abandoned. No report and not even a word of explanation was offered to the public. On the other hand, several rural welfare centres conducted by non-official agencies are working steadily, economically and comparatively efficiently for a number of years. Our experience therefore fully supports the resolution of the Liberal Federation on this subject.

The other resolution related to agricultural indebtedness :

“ While approving the object of the laws passed in some provinces for the relief of agricultural indebtedness, the Federation is firmly of opinion that they will fail to produce a beneficial effect unless the Government (1) take suitable steps to provide adequate finance at a cheap rate of interest, (2) advance money for the repayment to creditors as Mr. Gokhale suggested in the Legislative Council of the Governor-General in 1906 and (3) supplement the legislation for the better organisation of rural credit including the establishment of land mortgage banks and the extension of the co-operative movement.”

This resolution is in conformity with the resolutions passed on the subject at the last Madras Provincial Co-operative Conference. It is very interesting to learn that the late Mr. Gokhale pleaded so far back as 1906 that the funds of the State should be made available, of course under suitable conditions, to agriculturists for the redemption of their debts. We are glad that even a purely political conference like that of the Liberals has realised the importance of rural uplift work and the need for affording relief to the indebted agriculturist.



## Government Servants and Societies.

The Secretary of the Government Servants' Co-operative Society, Sompeta, Ganjam District, was convicted sometime ago by the Joint Magistrate, Berhampore, on the charge of having misappropriated the society's funds. He appealed against the conviction before the Sessions Judge. In acquitting him, the learned Judge commented on the work of the society as follows: "They (President and Secretary) reduced themselves to the position of mere figure-heads who were prepared to sign anything and everything that was placed before them, trusting that things were and would be all right. It is a pity that persons who cannot discharge such public duties, should still hanker after the presidentship and secretaryship of such societies, believing that their social status might thereby be improved. As a matter of fact, instead of getting name and fame, such stupid men get into trouble for defalcations by others and get very near or actually into the gaol." These observations are true and ought to be a warning to all office-bearers of societies. The learned Judge said further, "I am afraid co-operative societies will not flourish satisfactorily so long as we do not have wholtime and paid officers in control of their affairs and I am distinctly of opinion that Government servants in active employ must be prohibited from undertaking any honorary office in such societies." Societies have fully realised the necessity for paid staff and are employing them as soon as their finances permit. Perhaps the learned Judge was not aware that Government servants *are* prohibited from holding offices, except in societies intended solely for Government servants. This prohibition was introduced, indeed, not because Government servants were considered unusually ignorant or easy-going, but because it was feared that the influence attached to their position might adversely affect the interests of others. Negligence lands one in difficulties, whether one is Government Servant or not; and on account of their training, Government servants are less likely to be negligent than others. We do not believe that defalcations etc., are more common in co-operative societies than in other business organisations. If one hears more often of them in connection with societies, it is because publicity is one of the characteristics of co-operation, while the opposite is true of other bodies. We are sure no further restrictions on Government servants are called for.

## A Mysore Government Order.

A recent order of the Government of Mysore directs the Mysore Provincial Co-operative Apex Bank to discontinue the practice of

making advances to depositors on the security of their deposits. The ground on which the order is based is that the object of the Apex Bank is to finance registered societies only. In a well reasoned memorandum the Bank pointed out to the Government that advances made to depositors against their deposits were not really in the nature of loans but mere repayments of the deposits, that the practice was obtaining in the Provincial and Central Banks of Madras, Bihar, Central Provinces, the Punjab and some of the Indian States, that it had been permitted for a long time in Mysore State itself, that it was supported by the last Mysore Provincial Co-operative Conference held in October 1935, and that if the Government still thought that such advances were opposed to Section 29 of the Co-operative Societies Regulation, the Government may be pleased to exempt the Bank from the operation of the section. The Registrar too recommended the exemption, as he considered the continuance of the existing facilities to depositors necessary in order that the Bank may continue to attract deposits from the public. The Government, however, disregarded all these considerations and passed the order referred to above. We are afraid the Government have not properly appreciated the memorandum of the Bank and have taken an unfortunate decision. One could have understood it if the Bank was unable to meet the demands of societies for loans on account of these advances to depositors. Far from that being the case, the position everywhere is that provincial and central banks have a good deal of idle money on their hands. We trust the Bank will make further representations and the Government will be pleased to reconsider their present decision.

### Gaekwad's Diamond Jubilee.

The celebration of the diamond jubilee of the accession of a ruler is a very rare event anywhere. The happiness of a such celebration occurred to His Highness the Maharajah of Baroda and his subjects in the first week of January. In addition to the usual items there were some which were quite characteristic of the enlightenment for which His Highness's rule is justly noted. One such item was an exhibition of rural life, which was opened by His Highness himself and the object of which was educative. The boons granted on the occasion were intended to benefit the agricultural population in particular and included the adoption of an Agriculturists' Debt Redemption Act, the extension of land mortgage banks throughout the State, additional facilities for the supply of pure drinking water,

the creation of a section in the Public Works Department to attend to field drainage, the establishment of a broadcasting station for the education of the rural population and the completion of the village dispensary programme. More important than even these was the constitution of a special trust fund of one crore of rupees the income from which will be devoted for improving the conditions of life of the rural population, especially those of the poor and the depressed classes. This is to be in addition to the amounts usually and progressively provided in the budget of the State for the welfare of the rural population. His Highness's message to the people, delivered on the occasion, which we have published elsewhere, should prove inspiring alike to the rulers of Indian States and the administrators of the British provinces. By pursuing an enlightened policy throughout his long reign, marked by such measures as compulsory education, the village library movement, social legislation etc., the Gaekwad has richly earned the affection and gratitude of his subjects. It will be the prayer of everyone in this country that he may live long to enjoy it and that it may even increase.

### New Year Honours.

On New Year's Day the titles of Rao Bahadur and Rao Sahib were conferred respectively on Mr. K. Sambasiva Chettiar, President, Urban Bank, Conjeevaram and on Mr. C. Venkataramana Aiyar, President Town Bank, Chittoor. In other provinces Mr. Satyangsu Kumar Sinha, Deputy Chairman, Central Co-operative Bank, Burdwan, was made Rai Bahadur and Malik Sultan Mahmud, Assistant Registrar of Co-operative Societies, N. W. P. Province, was made Sardar Sahib. The title of Sardar Sahib has apparently replaced the older title of Khan Sahib. Kaiser-i-Hind Medal of the third class was conferred on Maulvi Abdul Zabbar, Inspector of Co-operative Societies, Bengal. We believe this is the first time that an Inspector of Co-operative Societies has been honoured, and Mr. Abdul Zabbar must have promoted social work in a striking manner through co-operative societies to be thought of for the Kaiser-i-Hind Medal. The share of co-operators in the honours list is comparatively meagre but not surprising in view of the fact that during these years of economic depression it is the defects and difficulties of the movement which are coming uppermost and not its benefits. We offer our hearty congratulations to the recipients and in particular to Mr. Abdul Zabbar. We hope his example will stimulate other Inspectors to win distinction by meritorious work.

## Rural Reconstruction in India.

By REV. RALPH RICHARD KEITHAHN, DEVAKOTTAH, RAMNAD DT.

We meet to-day at one of the significant moments in the history of mankind. There is a stir in the hearts of men never felt before. The most sacred customs and beliefs are being rethought and modified to a new comprehension of Truth. In the first place, in spite of all our uncertainties it would seem that there is a growing conviction through valid experience of the fundamental importance and reality of religion. May I dare to include even the Communist, the Self-Respector, the Humanist in this generalisation. It seems to me that all of us have something very fundamentally religious in our make up, no matter how much we rebel against certain modes of religious expression. The psychologist often sees more of the elements of religion in him who denies any religious belief than in many of our so-called religious people. Secondly, there is a growing unity of the liberal forces of religion throughout the world. Many of us find more in common with liberals in other religions than with the conservatives of our own religion. Such fellowships as this have been the result. Thirdly, world problems such as War, "statism", unjust economic orders, racial discrimination and rural oppression and exploitation are becoming more acute. We are seeing more and more clearly that these problems must be faced and solved on a world basis.

India is becoming a very real part of the modern world. However, her aspect of the world problem is distinctive. What may be problems are also her assets. For example, she has been the mother of four of the eleven living religions of the world and is the home of the main religions to-day. All this tends to division. Yet it is also India's asset. She has a tremendous past experience to build upon. It is for us to take of the valid of the past and build it into the New India.

India is one of the most rural countries of the world. Most of her population is massed in the 7,00,000 villages. This too is her strength and her problem. Here are massed the multitude—the peasants—hungry and growingly impatient, superstitious and fundamentally religious, illiterate but not ignorant, unsanitary and disease-ridden yet not unclean, caste-ridden and at the same time the authors

of the Panchayat, once called by Ramsay MacDonald, the most democratic local form of Government ever produced by mankind. Yes, here is the Indian farmer whose food we eat daily but whom we never fail to exploit. Here is the man who makes our lives of greater ease and culture possible but who feels the bitter lash of persecution of those he befriends. However, all over the world this "forgotten man" is protesting. He is demanding his rights. In India, the Harijan in particular, at the bottom of the scale, proclaims his revolt by often joining or threatening to join another religion *en mass*. I know this is a caste problem but it goes much deeper than that. The caste system clings so tenaciously to the village, in part because it supports an exploiting economic system. But the struggle takes a new form when there is an absentee landlord. Only two weeks ago, I stood in a village listening to determined Harijan and Nattar farmers, who have been at one another's throats the last five years, now united against the Chettiar landlord and attacking the Beshkarar for unfair dealings. Strangely enough, the Beshkarar sat silently by, listening to as bad a scolding as I generally hear. He sensed evidently that he was dealing with nothing less than serious. These farmers are not going to continue to submit. The danger is that those of us who are truly responsible will not awake soon enough and the farmer will use violence in his resistance. In fact, this is already happening in places.

Will India voluntarily and aggressively direct its unique resources to the solution of this great rural problem? Up to this time the various religious groups have been treating one another as potential enemies. But to-day we face a most unusual opportunity of experimenting with the truth we claim to have. Let us put aside our differences and bring those unique resources which each group claims to have to bear upon the great rural problem. If there is no contribution our vanity will soon reveal itself. The truth will assert and speak for itself. The International Fellowship has been proclaiming this ideal. I suggest that the Fellowship make another pioneer movement and bring the truth of co-operation it proclaims to attack one of the most serious problems in India to-day. What greater call is there! And if we succeed what greater message or contribution can we give to the world! My wife and I have returned to India to give ourselves to this rural problem on an international and inter-religious basis. We feel that the *total resources* of India must be poured into a *total programme for the whole village*.

We bring the Christian tradition and resources with us. We feel that they have little significance unless they do bring the more abundant life unto others. And as we come we ask our Muslim and Hindu brother to join us with his resources and with the same spirit that we may be a demonstration to India and through her to the world that the resources of the various religions are ready for use in solving such troublesome problems and that these religions have a definite contribution to make as the new world is built. We come to the International Fellowship which has proclaimed this ideal now for many years, asking it to give us its blessings by requesting its various groups to throw their complete resources behind this—another “Experiment with the Truth.”

It will not be out of order to picture a programme for the group. I shall try to do so in terms of problems which I have been facing the last few months in the villages.

1. *The Villages are caste-ridden.* It seems to be the largest problem any scheme of rural reconstruction must face. I go into a village and try to meet a demand for a well. I insist that it must be a well for all castes, for surely India cannot afford a well for each caste when many villages are still without them. As I insist, a leading caste man says, “Why do you come to trouble us! Go, help some other villages!” In this same village a week ago, I went to see that a home might be constructed for the village teacher. Unfortunately it was in the Harijan quarters but it was there because the caste people had prevented all efforts to put it in a neutral place. Unless the school could be for them alone they wanted no school at all, a dog-in-the-manger attitude. That morning as the Harijans began building the house, the caste people came with the headman, supposed to be neutral in these matters, trying to prevent any work. When the work went on, and I was careful that our man would not be drawn into a quarrel, the headman burst forth in anger, “Tie this white man and carry him away. If he is not here these fellows will not dare to do anything!” I had visions of a free ride but nothing happened and the house was built. But I have no doubts about the future. Until those caste people are convinced that their efforts are useless they will not leave any stone unturned in preventing any rural reconstruction in that particular village. The only reason why we stay on is the interest and request of the Harijans. At the same time we realise that the work can never be completely successful until the whole village co-operates—and we await that day. And

may I say the following in spite of the certainty of being misunderstood. Hinduism must find a way out for the Harijans. She must give them an equal place in her fold. It is of no use to complain about conversions. In spite of my abhorrence for conversions as I know them in general, I must admit that I often have to throw up my hands in desperation when I meet the orthodox Hindu attitude on the Harijan question. I come to feel with that Congress leader who had just visited a centre of the Harijan-Nattar conflict near Devakottai. He was thinking out loud, "Well, why not let all these Harijans become Christians? What other way is there!" We must not take a fatalistic attitude however. We must open our hearts and folds to these our brothers. One practical way of doing this is the organisation of a Village Welfare Panchayat. The Government will co-operate with us here.

2. *The Villager is Suspicious.* Wherever I go, and particularly when I speak of organising schools, one of the questions is, "Will you teach your Veda?" There is a general suspicion of any religion but one's own, particularly of the Christian religion. But we have a positive contribution to make in this respect. I am a firm believer in religious instruction. I believe that the races have had experiences of eternal values which we are duty-bound to pass on to the new generation. In our country there is a "Treasure-House of the Religions" which still needs discovering and putting into such a form that it has meaning for the children of this day. In other words, I believe that we must foster a religious instruction in our schools and that there is a body of Truth in the Scriptures which should be known by all good Indian citizens. Why should not every child in India know the soul of the Gita, the Koran or the Sermon on the Mount. We do not sectarianize the truths of physics, why should we do so with those of religion?

3. *Then there is the Economic Problem.* Not very long ago, a poor country woman came to one of our towns to sell her bundle of wood, the toil of one day, the livelihood of the next. A good city man argued with her about the price. Finally, he grabbed the bundle and threw her an anna, one third of the real value. Three weeks ago a Harijan came running to my door to tell me that he had brought in a sheep to be sold for rupees five. A shopman offered rupees three and then took the sheep by force, beating the man for good measure. I sent the beaten to the police saying that if he received no help, to let me know. A few days later he told me

that the sheep was returned and sold for five rupees. But if there had been no friend, as so often is the case, do you see the fate of the Harijan? We town people must interest ourselves in the village cause. The farmer must get more for his produce. Better methods of agriculture, subsidiary village industries and co-operative societies will help. May I suggest here that the Co-operative Movement is growing by leaps and bounds all over the world and that Fellowship Groups can do no better service to India than to study and carefully promote its welfare. We might well go home to start Consumers' Co-operatives not only for our own welfare but also for the good of the producer. A regular market will be a stimulus for better products from the village.

4. *The Problem of Health*; is one of India's greatest. Much of the economic problem arises because of a sick India. *We need more L. M. P.'s, yes, more M. B.'s to go to the villages for pioneer health work.* Such groups as we propose can co-operate very helpfully in making such pioneering possible. In the beginning we shall probably have to depend upon workers with little training but with much consecration and enthusiasm to go out to do the spade-work of village sanitation and elementary medical and surgical work. Then as the interest and confidence grows we can establish village dispensaries. In starting a village centre near Devakottai, we are proposing to organise a voluntary unit of Devakottai Doctors to give part time honorary service to this work. Vakils have already responded to such a similar request of service on their part. Only two Sundays ago an advocate walked with me twelve miles through the fields to help in a village dispute. A few evenings later another leading advocate of the place went with us to the Chettiar in the interest of the cause of the villager. There are many people to-day interested in village work. We need give them an opportunity to serve.

Although many other problems of the village might be mentioned, I shall speak of only one more—that of *indifference and apathy*. Villagers are just not aware of what is taking place about them. They live in the past and the Modern World might as well be situated on Mars for all they are aware of it. They are illiterate and although I have much faith in such methods as the Laubach Method of Teaching Adults to read quickly, yet I do not think we can wait for even that method when we have great instruments of science at our hands. Already rural reconstruction work in China is making use of the radio. Small broadcasting stations are built out in a rural



centre and used entirely in this rural work. A cheap loud speaker set is bought by the village in common and each day the people can listen to world news, good music, to what is happening in other parts of the farmed world. This is going to be done very soon in India. I know of nothing that may bring more rapidly a new spirit, a new interest, a new awareness, to the villager than this. I wish that such a group as ours might pioneer in this field.

We hope very much we may start one or two Rural Reconstruction Centres in the villages where we can concentrate on the problems of an interested group of villages in co-operating with them to solve their problems. Village workers are even now ready. The funds alone are lacking. And I feel those also are awaiting those who show that they are really doing something for the villager.

What then can we do as a Federation of International Fellowships? First of all, we seek your sympathy and whatever co-operation you feel you can give. We believe that a representative and interested committee of the Federation might be of great help. It probably would be little more than advisory; yet it might take a very active part in creating friends for the enterprise, and as time goes on, in spreading its gospel. Then we hope that a local Chettinad Committee might be organised to co-operate with us more fully in the actual village work. That might be a special project of the Chettinad International Fellowship newly organised. With such representative supporting committees not only shall we command the interest and backing of Indian friends but also those in the West.

Finally, we hope that some of you or your friends may come to fellowship with us in this, what we consider, one of the greatest opportunities for service in the world to-day. We want this to be truly Indian and unless many of our Indian friends join with us in service, it cannot be so.

Do the feasters gluttonous feast?  
Do the corpulent sleepers sleep? have they lock'd and bolted doors?  
Still be ours the diet hard, and the blanket on the ground,  
Pioneers! O Pioneers!  
Still with sound of trumpet,  
Far, far off the daybreak call—hark! how loud and clear I hear it  
wind—  
Swift! to the head of the army! Swift! spring to your places,  
Pioneers! O Pioneers!

[These thoughts were presented to the Council of the Federation of International Fellowships at their meeting at Wardha the end of the past year. That Council gave its hearty approval to these proposals. We go ahead now continuing to inspire and encourage the villagers hereabouts, and to organise more definitely that our service may be more effective. Already the Government, Local Mission workers, the All-India Village Industries Association, the Harijan Seva Sangh and many local friends have welcomed co-operation. Prospects are bright.]

## Section 49 of the Co-operative Societies Act (VI of 1932)

By P. R. SRINIVASARAGHAVA ACHARYA, B. A.

The provision of law under which officers of Co-operative Societies, whether past or present, or any person who has taken part in the management or organisation of the societies, can be compelled to make good to the societies, the loss occasioned by the misfeasance or other wrongful acts of such officers or persons, is contained in section 49 of Act VI of 1932. No provision corresponding to that section is to be found in Act II of 1912. In the Indian Companies Act VII of 1913 and in Act VI of 1884 there are similar provisions.

The applicability of the provisions of the Indian Limitation Act to proceeding under section 49 depends on the position that the Registrar occupies in such proceedings. If he is a court, then only the Limitation Act can be held applicable to proceeding under section 49. The Registrar is expected to *examine* into the conduct of such person or officer and make an order. It has been held that such proceedings are judicial in character and the officer authorised to conduct such proceedings is a 'court'. In 36 M. L. J. 95 the question arose as to whether a Collector acting under part III of the Land Acquisition Act, is a 'court'. At page 98 Ayling, J. observes 'The proceedings under part III of the Land Acquisition Act are undoubtedly judicial in character, and although the part played in them by the Collector is small, he is far from being a mere post office or channel for the transmission of the representations of the persons interested. He has to *determine* whether the application satisfies the conditions of the proviso to section 18 and in making the reference he has to set out the grounds of his own award and his opinion as to what persons are really interested in the land acquired. I think he may be considered to be acting as a 'Court'. An officer who receives, scrutinises, and rejects or accepts nomination of candidates to the Local Boards has been held to be a judge. (Please *vide* 30 CR. L. J. 365). Hence there is no doubt that the Registrar acting under section 49 of the Act is a 'Court' and that the provisions of the Limitation Act apply to such proceedings.

If the Directors of societies are to be construed as their trustees, then according to section 10 of the Limitation Act an action against them is not barred by any length of time. In 60 M.L.J. 280. Their Lordships of the Madras High Court after carefully examining all the English Cases on the point came to the conclusion that the Directors are not trustees of Companies. In 71 Indian Cases 899 the Lahore High Court held the same view. At page 901 (2) Sir Shadi Lal, C.J. says 'It is beyond dispute that the rule laid down in that section (10 of the Limitation Act) restricts the saving portion of the

statute to express trusts, and it has been repeatedly held that the Directors of a company are not express trustees as the Company's property is not vested in them within the meaning of the aforesaid section, much less can the officers of the company be described as trustees contemplated by that section'.

Section 10 of the Limitation Act not being applicable in such cases, it has to be ascertained as to what article of the Indian Limitation Act applies to surcharge proceedings. The Limitation Act makes clear distinction between suits and applications. Proceedings under section 49 have to be started by the Registrar *suo moto* or by an *application* by one of the persons mentioned in that section. The decisions under section 235 of the Indian Companies Act 1913 are not of any help since sub-section 3 to section 235 makes the provisions of the Indian Limitation Act that are applicable to suits, applicable to those proceedings even though they are started by means of an application. Section 214 of the Indian Companies Act 1882 contained no provision similar to that contained in sub-section 3 to section 235. In construing that section the Madras High Court held in XIX Madras 149 that an action under that section was not barred by the Limitation Act. It was contended that Article 36 applied. At page 150 it is said 'It appears to have escaped the notice of the learned judge that Article 36 of the second schedule of the Limitation Act (it has here to be observed that the language of Article 36 of Act XV of 1877 is identical with the language of article 36 of the Limitation Act of 1908) refers only to suits and not to applications. A clear distinction is drawn under the Limitation Act between suits, appeals and applications. They are treated in three distinct divisions of the second schedule. The present case is not a suit but is an application under section 214 of Act VI of 1882, to compel the directors to repay the money which has been misapplied. Article 36 has therefore no application.' In XVIII Allahabad 12 the applicability of the provisions of the Limitation Act to proceedings under section 214 of Act VI of 1882 was considered. At page 15 Their Lordships say "In our opinion the word 'suit' of the Indian Limitation Act 1877 has a specific and limited meaning. It is according to section 3 of that Act, distinguished from an appeal and an application. In our opinion Article 36 does not apply to this case. It may well be that the Legislature intended not to provide any limitation in cases in which courts proceeded to enforce the provisions of section 214 of Act VI of 1882." Later on they say 'We hold that the proceedings in this case against the appellant under section 214 of Act VI of 1882 are not barred by limitation.' Since there is no provision in the Co-operative Societies Act VI of 1932, similar to that in sub-section 3 of section 235 of the Indian Companies Act 1913 it may be said that there is no period of limitation for proceedings under section 49 of Act VI of 1932.

## Rules under the Agricultural Loans Act.

BY MR. N. SATYANARAYANA OF ALAMURU.

Having accepted the principle of issuing loans under the Agricultural Loans Act to poor ryots for the clearance of prior debts, the Government have resolved to conduct an experiment in that direction in two revenue divisions, one in Chingleput and the other in East Godavari, before applying the Act for this purpose to the whole presidency generally. They have appointed two Special Officers of the grade of Deputy Collectors and laid down the procedure and the rules which should guide these Special Officers in giving effect to the Act. The rules were published in the *Fort St. George Gazette* of October 29th last, and the Special Officers are explaining them to the ryots in the areas concerned. In East Godavari the revenue division of Rajahmundry is chosen and in that the firkas of Alamuru and Rajanagaram. While the Special Officer is sympathetic and quite suitable for the job, I am afraid the rules are unsuitable and not calculated to produce the maximum good results.

The loans are of course intended to relieve the poorer sections of the ryots from the oppressive burden of indebtedness by providing them with cheap money repayable in easy instalments over a long term of years. The Special Officers are to enquire into the applications and satisfy themselves that the applications could be redeemed from all prior indebtedness with the loans which they are empowered to sanction under the Act. It is also assumed that the creditors would be willing to accept immediately in cash an amount which is less than what their claims would be according to the letter of the law. Owing to the economic depression, creditors are finding it so hard to realise interest or principal from their debtors that in fact many of them are willing to accept much less than their legal claim. In the settlement of claims the Special Officers are instructed that 'the amount fixed in respect of each creditor shall be appreciably less than what the creditor may, according to the letter of the law, be entitled to and shall in no case exceed the amount of the original principal, together with interest at 6 per cent per annum or twice the amount of the original principal, whichever is less.' If any creditor refuses to accept the amount so fixed by the Special Officer, the application will be rejected. The creditors will then have to go to a court of law and obtain what they can get without the benefit of this enactment.

Other important rules lay down that the maximum amount of the loan shall be Rs. 2,000, that no one whose landed property or occupancy right is worth more than Rs. 3,000 shall be eligible for a loan, that the repayment shall be in annual instalments not beyond 25 years and that the land offered as security shall be at least twice the amount of the loan. Where the security offered by the applicant

is less in value than twice the amount of the proposed loan, collateral security from friends or relations who may be willing to offer it should be taken to the required extent.

In my opinion, these conditions have to be modified, if the purpose of the amendment of the Agricultural Loans Act is to be fulfilled by a large number of ryots availing themselves of its provisions. The fixing of the maximum of the loan at Rs. 2,000 may be conceded to be fair as it will include all the poorer ryots. But the restriction that the value of the property owned by the applicant should not exceed Rs. 3,000 is very unsuitable. The present average value of wet lands in the delta areas is about Rs. 800 per acre; so that a ryot with even 4 acres of land will often be excluded. A ryot with 4 acres of land will not be able to pay more than Rs. 35 to Rs. 40 in annual instalment after meeting the *kist* and his family expenses. The annual instalment on a loan of Rs. 500 at 5½ per cent interest—the interest now fixed by Government—spread over 25 years, will come to about Rs. 37. If the Government intend that indebtedness of deserving ryots up to Rs. 2,000 should be relieved, they should raise the property limit of Rs. 3,000 to Rs. 10,000. Mr. Sathianadhan has suggested in his report the maximum of the loan to be Rs. 500. The Government wish to be more liberal; but with the property restriction of Rs. 3,000 introduced, Mr. Sathianadhan's recommendation would be the more advantageous one for the ryot. Amendment of the rule in this respect is most urgent.

The Government have fixed 5½ per cent as the rate of interest. This seems to be quite unnecessarily high. The Government are able to get at present any amount of money at 3 per cent interest. An additional one per cent should be enough for the working expenses. The loans ought, therefore, to be made available at 4 per cent interest. The period allowed for repayment of the loans also requires to be raised from 25 to 40 years at least. In other countries land mortgage loans are given for even longer periods than 40 years. If the payment of instalment should be regular and easy, a longer period than 25 years is necessary. Perhaps it will be said that land mortgage banks in our province are not giving loans for a longer period. But that is a weakness of our land mortgage credit and attempts are being made to rectify it. Besides, the Agricultural Loans Act is intended to benefit the poorer class of people whose repaying capacity is less than in the case of the average borrower from land mortgage banks. Therefore, the period in his case should be longer.

It is necessary that the rules should be liberalised in these respects and I believe I am voicing the opinion of other co-operators who are themselves ryots and know the difficulties and requirements of ryots.

## Conferences.

### THE COORG CO-OPERATIVE CONFERENCE.

The eighth Coorg Provincial Co-operative Conference was held at Mercara on the 22nd December last. Mr. S. Venkatakrishnayya, President of the Mysore Provincial Co-operative Apex Bank opened it and Mr. M. G. Mehkri, Registrar of Co-operative Societies, Mysore, presided over it.

Mr. Venkatakrishnayya observed that though the percentage of overdues in Coorg which was 59 per cent was unsatisfactory, it was not worse than in many other provinces. He was glad to note that in order to increase the earning power of the members subsidiary occupations were being promoted. He commended certain types of non-credit societies which had been developed in Coorg, *viz.*, the Luntana Eradication societies and the Anti-Malarial societies to the emulation of other provinces. He advised the Central Bank to further lower its interest on lendings as the highest interest it paid on its borrowings was 4½. He noted with pleasure that in Coorg finance and supervision had been linked up and a Supervision Board of the Central Board was looking after the work of the 13 supervising unions satisfactorily. Another activity of the Central Bank which he commended was the business of co-operative insurance which it was doing as an agent for the South India Co-operative Insurance Society. Regarding the proposal to establish a Land Mortgage Bank for Coorg, Mr. Venkatakrishnayya was of the opinion that it would be more economical to open a land mortgage section in the Central Bank than to start a separate organisation which may not have enough business and human material to work satisfactorily, and such a section would also be a natural development of the Debt Conciliation Board which the Bank had already established.

Mr. Mehkri observed that if the co-operative movement had not yielded in India the good results that were expected of it, it was due to the mistaken desire for expansion in the early days when societies were started without ascertaining whether the area was suitable and the kind of men required to manage a society were available or not. Even the implications of unlimited liability were not properly explained and in many cases all that a prospective member knew was that he could borrow from the new institution by paying a nominal sum towards the share capital. This naturally attracted only those whose credit stood low. Then there was illiteracy and the lack of training for panchayatdars and the paid staff—official and unofficial. Mr. Mehkri considered that for the rise of overdues, “mismanagement, want of scrutiny regarding the repaying capacity of the borrower, local influences, non-application strictly of rules and, above all, want of business habits in the people”

as more potent causes than the economic depression and the fall in prices. Regarding the Land Mortgage Bank proposal, though Mr. Mehkri was less definite than Mr. Venkatakrishnayya he was also not in favour of a separate institution being started. He congratulated Coorg on the successful working of its grain banks, which had failed elsewhere, and was glad that the Government of the province had come forward to grant liberal loans for the construction of granaries. He concluded with an appeal to young men to join the co-operative movement in a missionary spirit and to serve their country through it.

## THE EIGHTH MALABAR DISTRICT CO-OPERATIVE CONFERENCE.

The eighth Malabar District Co-operative Conference was held at Palaghat in the last week of December. It was opened by Sir M. Krishnan Nair and presided over by Mr. A. Sivarama Menon. Among those present were influential zamindars of Malabar and the Registrar of Co-operative Societies of Travancore State. Mr. S. V. Venkateswara Iyer (Lecturer, Victoria College) welcomed the delegates. In doing so he said that small holders could secure the economies of large scale farming only by adopting co-operative methods. A crying need of the district was a co-operative storage of grain with provision for credit to the cultivator till the grain could be sold to the best advantage. He was of opinion that chit funds (kuries) should be conducted by societies and encouraged by them.

Sir M. Krishnan Nair speaking in Malayalam said that he had great faith in the co-operative movement. Except for a few weavers' societies there was no cottage industry worth the name in Malabar. He said further that according to Mr. Sathianadhan's Report the agricultural indebtedness of Malabar was nearly 8 crores and it is imperative that steps should be taken to relieve this great indebtedness by organising land mortgage banks and other means.

Mr. Sivarama Menon observed that the progress of co-operation in Malabar did not show any marked contrast with what it was in other districts and that the working of the central bank was on the whole very satisfactory. In his opinion the chief stumbling block to the real and rapid progress of co-operative societies was the burden of old debts and no attempt to push forward the movement in disregard of this circumstance could bear fruit. Another difficulty was the prevalence of unemployment. "In our country the number of people who go without even a single meal a day is so large that the neglect of the problem of unemployment is beset with grave consequences. We must realise that there is a limit to human suffering." The two problems on which Indian reformers should concentrate, he said, were poverty and unemployment of the masses.

# Co-operation in the Legislative Council.

1st November 1935.

*Sale of lands in North Arcot for arrears due to the Co-operative Societies.*

376Q.—Mr. M. B. Rangaswami Reddi: Will the Hon. the Minister for Public Works be pleased to state—

(a) the number of land sales held during the past three years for arrears of dues to co-operative societies in the North Arcot district talukwar;

(b) the extent of lands that have been taken possession of by the department and others separately; and

(c) the land assessment paid for such lands by the co-operative department alone?

A. (a)

Name of Taluk.	Number of sales held during past three years.	
Arkouam	...	45
Arni	...	27
Chengam	...	16
Cheygar	...	60
Gudiyattam	...	46
Polur	...	54
Tiruppattur	...	30
Tiruvannamalai	...	50
Vellore	...	48
Wallajah	...	35
Wandiwash	...	80

The above figures exclude land sales held by 'living' societies through civil courts, particulars of which are not available.

(b) No lands have been taken possession of by the department. The extent of lands taken possession of by others is given below:—

	Acres.
(i) by liquidators of co-operative societies	139'75
(ii) by the central bank	112.20
(iii) by (living) societies	468'17
(iv) by others	395'31

Total 1,115'43

The above figures exclude the extent taken possession of in pursuance of sales held by civil courts on behalf of 'living' societies and by the Revenue department, details regarding which are not available.



(c) Does not arise in view of the answer to the first part clause (b).

Mr. V. M. Ramaswami Mudaliar:—"May I know what the co-operative societies propose to do with the acres of land which they have taken possession of?"

The Hon. Mr. P. T. Rajan:—"Cultivate them, if possible."

Mr. P. V. Krishnayya Choudari:—"Will the Government suggest to the co-operative banks not to proceed with the auctioning of lands in view of the economic depression from which the people are suffering?"

The Hon. Mr. P. T. Rajan:—"I suppose societies must collect their dues".

#### 4th November 1935.

*Instruction of panchayatdars and supervisors of co-operative societies in the knowledge of co-operation.*

427 Q.—Mr. K. A. Nachiyappa Gounder: Will the Hon. the Minister for Public Works be pleased to state—

(a) whether there are any proposals for spreading knowledge of co-operation by holding classes for instruction to the panchayatdars and supervisors of co-operative societies in each district or selected indistricts;

(b) if so, what they are;

(c) how much the Government propose to spend on this scheme; and

(d) whether any grant is got or anticipated from the Government of India for the purpose and, if so, how much, and how long it is likely to continue?

A.—A scheme for the improved training of supervisors and panchayatdars has been received from the Registrar of Co-operative Societies in connection with a general scheme of co-operative training and education proposed to be given to the staff of the department and of non-official institutions and to panchayatdars and members of co-operative societies, with the aid of a grant from the Government of India. The whole scheme is under the consideration of Government. It is not yet possible to furnish the other particulars asked for.

Mr. G. R. Premayya:—"The question asks whether any grant is anticipated from the Government of India and if so, how much; I don't find any answer to that in the answer on the paper; it simply says that a scheme has been received from the Registrar for the improved training of supervisors, etc., with the aid of a grant from the Government of India. It does not say how much grant has been given?"

CO-OPERATION IN THE LEGISLATIVE COUNCIL

The Hon. Mr. P. T. Rajan :—"The Government of India propose to give us a grant of Rs. 3,59,000."

Rao Sahib V. I. Muniswami Pillai :—"Is the scheme to be tried throughout the Presidency or in selected places? Are they going to have centres of training in different places, or only in one or two districts?"

The Hon. Mr. P. T. Rajan :—"The whole scheme is under consideration. At this stage I cannot say whether it is going to be limited to a few centres or spread out throughout the province."

11th November 1935.

*Functions of the Registrar and the Joint Registrar of Co-operative Societies respectively.*

\* 525 Q.—Mr. M. B. Rangaswami Reddi: Will the Hon. the Minister for Public Works be pleased to state the functions of the Registrar and the Joint Registrar of Co-operative Societies respectively?

A.—The Registrar controls the whole department. The Joint Registrar assists the Registrar in all or any of his functions and, at present, is in charge of liquidation, arbitration, execution and non-credit societies. There is no definite divisions of functions.

*Publication of the balance sheets of Co-operative Societies in the Gazette.*

526 Q.—Mr. A. B. Shetty: Will the Hon. the Minister for Public Works be pleased to state—

(a) whether in the earlier stages of the co-operative movement the balance sheets of societies were being published in the Gazette;

(b) whether this practice has been discontinued, and if so, for what reasons; and

(c) whether the desirability of insisting upon societies, at least the bigger ones, to publish their balance sheets either in the Gazette or on the notice board of the society's office in the interests of members and depositors has at any time been considered by the Government?

A.—(a) Yes.

(b) Yes, for the reason that the movement, having since grown considerably, did not need that kind of propaganda.

(c) The Government do not consider that any useful purpose will be served by publishing balance sheets of societies in the Gazette. The other mode of publication suggested will, however, be considered.

Mr. K. A. Nachiyayya Gounder :—"The answer to clause (a) is in the affirmative. May I know, Sir, whether the publication was made free of cost or at the cost of the societies?"

The Hon. Mr. P. T. Rajan :—" I have no information. I presume it was done free of cost."

Mr. K. A. Nachiyappa Gounder :—May I ask the Hon. Minister, Sir, whether it is not better for the popularity of these societies that the public should be made aware of their working with facts and figures ?"

The Hon. Mr. P. T. Rajan :—" If the societies want it, publication will be made, provided they pay the cost."

*Working of the Co-operative Unions.*

\* 527 Q.—Mr. A. B. Shetty : Will the Hon. the Minister for Public Works be pleased to state—

- (a) how many unions are functioning well ;
- (b) in how many unions the collection of principal to demand was 50 per cent or more during the last three years ; and
- (c) in how many unions societies cleared off interest to the banks by 30th June during the last three years ?

A.—(a) It is difficult to give any definite number. Approximately one-third of the unions (of which there are just over 300) may be said to be working well.

(b)—

Year	Number of Unions.
1932-33	60
1933-34	62
1934-35	59

(c)—

1932-33	82
1933-34	90
1934-35	74

*Decrease in the transactions of Co-operative Banks and Societies.*

\*528 Q.—Mr. A. B. Shetty : Will the Hon. the Minister for Public Works be pleased to state—

(a) whether there has been a fall in the amounts of loans given by co-operative banks to societies and by societies to members, and if so, by what per cent during the last six years ;

(b) whether banks have idle money which they are obliged to invest at small rates of interest ; and

(c) whether there is any proposal to fix the maximum rates of interest on loans given by banks to societies and by societies to members ?

# CO-OPERATION IN THE LEGISLATIVE COUNCIL

A—(a) The following statement gives the information :—

Year.	Loans advanced by	
	Central banks to societies.	Societies (Agricultural and non-agricultural to members.
	Rs. (in lakhs)	Rs. (in lakhs)
1929-30	297'71	476'29
1930-31	203'90	369'05
1931-32	141'60	286'98
1932-33	73'92	297'23
1933-34	67'33	315'01
1934-35	87'10	365'32

In the case of loans advanced by central banks to societies, the figures relating to the years 1929-30 to 1931-32 represent both loan transactions and transactions in the overdraft accounts granted by the banks to societies, and the figures for the subsequent years represent loan transactions only. No separate figures for regular loan transactions are available for the years 1929-30 to 1931-32 and the percentage of fall in the year 1934-35 as compared with the year 1929-30 cannot therefore be worked out on an uniform basis. The percentage of fall in the loans given by societies (agricultural and non-agricultural) to members during the last six years is 23'3.

(b) No.

(c) The attention of the Hon. Member is invited to the answer to clause (b) of question No. 259 given at the meeting of the Legislative Council held on 29th October 1935. No maximum rates of interest have been prescribed in respect of fresh loans advanced by central banks and societies. The rates on new loans do not, however, exceed the maximum for old loans. The maximum rates suggested in respect of all outstanding loans are given below :—

Central banks	6½ per cent per annum.
Societies	7½ do.

Mr. P. V. Krishnayya Choudari:—" May I ask the Hon. Minister whether the Government are prepared to advice the central banks to reduce the rate of interest ? "

The Hon. Mr. P. T. Rajan :—" The rates have been reduced to the extent it is possible."

Mr. P. V. Krishnayya Choudari :—" Will the Hon. Minister permit the local bodies to deposit their monies as before ? "

The Hon. Mr. P. T. Rajan :—" That is a matter for the local boards concerned to decide."

Diwan Bahadur C. S. Ratnasabhupati Mudaliyar:—" May I know if the central banks advancing loans to the other banks are charging the maximum rate of interest?"

The Hon. Mr. P. T. Rajan:—" I have no information."

Mr. K. A. Nachiyappa Gounder:—" May I ask, Sir, whether the restrictions placed on the local bodies in the matter of placing their monies in the district banks as deposits are not conducive to the interests of these banks and if so, whether the Hon. Minister will reintroduce the old system?"

The Hon. Mr. P. T. Rajan:—" I do not think the restriction affects the bank's interests adversely; but there is no objection to local bodies investing their funds elsewhere."

Mr. K. A. Nachiyappa Gounder:—" Will the Hon. Minister see Sir, that the existing restrictions are taken away in the interests of the banks?"

The Hon. Mr. P. T. Rajan:—" If by taking deposits from the local bodies the central banks do not stand to lose, there can be no objection."

Mr. P. V. Krishnayya Choudari:—" May I ask the Hon. Minister whether there is not a Government Order which says that the local bodies should not deposit more than a particular amount in the central banks?"

The Hon. Mr. P. T. Rajan:—" I am aware of it"

## THE INDIAN CO-OPERATIVE REVIEW

(Journal of the All India Co-operative Institutes' Association).

Published Quarterly

*January, April, July and October*

*Edited by V. RAMADAS PANTULU.*

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## Recent Utterances.

The following is the message of His Highness the Maharaja of Baroda to his people on the occasion of his Diamond Jubilee which was celebrated for a week from 1st January 1936.

### *One crore for rural uplift.*

On this occasion when my people all over the State are celebrating the Diamond Jubilee of my accession, I desire to announce that I have decided, in commemoration of this happy event, to set apart a fund of one crore of rupees to be called the Diamond Jubilee Trust, the income of which will be devoted to improving the conditions of life of the rural population, especially those of the poor and of the depressed classes supplementing the amounts which will be progressively devoted to such purposes in the regular budgets of the State.

As you well know, for over 55 years, I have laboured assiduously in the cause of rural development. Indeed, no cause has been dearer to my heart. My ideal is to improve village life—all sides of it. I wish to develop in my people a keen desire for a higher standard of living—a “will to live better”—and a capacity for self-help and self-reliance. I earnestly desire to make village life interesting and framing a career the rewards in which will satisfy the most enterprising among the villagers. You all know the main lines in the policy I have followed, but I may state them as simply as I can.

### *Compulsory Mass Education..*

First, there is compulsory mass education. This indeed is at the root of all progress. Introduced first in Amreli, in 1893, education has been compulsory for boys and girls in the State for many years. To-day we have in the State over 6,500 teachers engaged in imparting literacy to the people. Efforts are made to give a “rural bias” to primary education, the object being to stop the ‘drift’ to towns. It is also my aim that the teacher should take his legitimate share in the life of the village. With this in view, the training college gives instruction in the elements of village problems.

There is further a network of village libraries to supply the people with knowledge of the kind needed by them and to prevent the evil of lapse into illiteracy.

### *Village Panchayats.*

Secondly, one of my earliest measures was the setting up of village panchayats. Every village in the State is under a panchayat. This has

separate resources of its own, and its function is to improve village life. The funds of village panchayats should be judiciously employed on works of permanent utility.

I have always insisted that prant panchayats should bear in mind prominently the needs of the rural areas. I shall refer here only to the programme.

(i) for feeder roads, (ii) for wells, and (iii) sub-artesian borings which are being carried out by these bodies at considerable cost.

Thirdly, I have set up technical departments dealing with the economic problems facing the agriculturists.

(a) The Agriculture department teaches what crops to grow, how to select seeds, how to treat plant diseases etc, (b) The care of cattle is the business of the Veterinary department, (c) The co-operative movement finds capital on reasonable terms to agriculturists and assists them in buying what they need and selling their crops. (d) The Industries department teaches industries suitable to agriculturists for their spare hours and for the months in which farming is not possible. (e) Then, there is the public health department which tackles questions connected with rural sanitation, pure water-supply and allied services.

#### *Social Legislation.*

Lastly, I should refer to the legislation passed for the abolition of harmful social customs like (i) early marriages which offend against nature and biological laws, (ii) caste tyranny, and (iii) untouchability which is against laws of social justice.

Of untouchability, it is difficult to speak with restraint. It is repugnant to our common humanity that those who should be regarded as our brothers and sisters are branded with this unnatural stigma. In my eyes and in the eyes of my Government, there is no difference between man and man. Moral decay is the inevitable fate of those higher classes who deprive millions of their fellow creatures of all self-respect and all hope of betterment.

Now, I am far from claiming that all these measures have had their full effect and have produced all the results I desire. The ideal I have placed before myself is a high one and I remind myself that the inertia of centuries is not easily overcome and that the superstitions of ages, are not removed in a decade.

#### *Object of the Fund.*

I desire now to give a further stimulus to the movement I began 55 years ago. It is with this object that I am constituting this special fund. From the income of this, grants will be made for useful schemes like extensions of gamthans to relieve overcrowding, village water-supplies, communications educative work of all kinds, etc. Special preference will

be given (i) to the poorer areas which probably have been neglected in the past and (ii) to the need of backward communities like the Raniparaj, the Antyajas, the Thakardas, the Rabaries, etc. As I have already said this will be over and above the usual State expenditure, which I trust will increase with the expansion of our revenues. If circumstances change and if Government think it necessary hereafter, this fund will be utilised for other beneficial objects.

It is my earnest hope that by this action of mine, the happiness of my people may be increased and they may be led to a higher and better manner of living. Should even a part of this ambition be realised. I shall feel myself amply rewarded for a lifetime dedicated to the well-being of my subjects.

In conclusion, I wish to tell you one thing. If you understand correctly the great laws of truth and apply them rationally to the practical life, you are sure to be more happy. I send my loving greetings to all my people and pray that they may be blessed with long life, happiness and prosperity."

## The Erode Co-operative House Mortgage Bank, Limited.

(Formerly The Erode Co-operative Building Society, Ltd.)  
(Estd. 1924.)

The place for safe investment of Long Term Funds—  
Secured by First Class First Mortgage outstandings and  
Assets of the Bank—of special advantage and convenience  
to Government officials and employees.

**Fixed Deposits for 10 years at  $5\frac{1}{2}\%$  per annum required.**

**Interest payable half-yearly.**

*Particulars from the Secretary,*

E. S. GANAPATI AIYAR, B.A., B.L.,  
*President.*



## News and Notes.

We regret very much that an error should have occurred on page 375, para 3 of 'News and Notes' of the last month's issue. In the place of 'Tinnevely' it should be 'Trichinopoly'.

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His Excellency Lord Brabourne, Governor of Bombay, opened on the 15th January the Bombay Provincial Co-operative Land Mortgage Bank of which the veteran co-operator, Sir Lallubhai Samaldas, has agreed to be the Chairman.

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On the recommendation of the Registrar of Co-operative Societies, the Government of Madras have approved the appointment of honorary lady organizers of co-operative societies in Malabar and South Kanara districts and the Finance Committee has sanctioned the expenditure for travelling allowance temporarily for a period of one year.

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As part of a five year plan of agricultural development, an experiment is started by the Agricultural Department of Travancore at Chenganachery under a special officer. Poultry farms, bee-hives and vegetable plantations are being started and instruction is provided for those who wish to learn these and allied subjects.

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His Highness the Maharaja of Cochin performed the opening ceremony of the Cochin Land Mortgage Bank on the 14th January last. He hoped that even those who were heavily indebted would by voluntary settlement and conciliation be able to avail themselves of the facilities afforded by the Bank. Like the Madras Government the State has guaranteed the principal and interest of the debentures of this Bank.

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At the end of October last 1,335 societies were under liquidation in this province and they were in charge of 60 Inspectors. In his monthly review the Joint Registrar observes that cash collections have fallen further during the month, but hopes they would improve in the next month. "The amount written off is very large in North Arcot and Chingleput districts this month also. Assets may be written off only after exhausting all possible means of effecting collections."

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The Mysore Co-operative Propagandist Institute has invited the societies in the State to join the Reception Committee formed to welcome and look after the delegates to the conference of co-operative institutes and provincial banks which will take place at Bangalore on the 11th and 12th of April this year. In supporting the invitation, the

Registrar points out that the conference affords a rare opportunity to local co-operators to meet distinguished co-operators from outside and to take part in the discussion of important subjects.

\* \* \*

Mr. Giriappa, Joint Registrar of Co-operative Societies, presiding over the opening ceremony of the Washermanpet Gajendravarada Adidraida Co-operative Society Library at Madras, stressed the need for the organization of libraries by co-operative societies to impart the knowledge of co-operative principles to the masses. If a year before the registration of a co-operative society in a locality a library should be started, containing books on co-operation, said Mr. Giriappa, many of the difficulties with which the co-operative movement is faced would be avoided.

\* \* \*

Babu Rajendra Prasad, the President of the Indian National Congress, in declaring the Village Industries Exhibition open at Bombay in December last, emphasised the necessity of subsidiary occupations for the agriculturists. Agriculture could not provide work for all throughout the year and therefore they had to be unemployed for nearly six months in the absence of any supplementary industry which could be well established without much capital and could be carried on if village industries enabled the villager to utilise his idle hours.

\* \* \*

The newly started Vuyyur Co-operative Sugar Factory in Kistna District is one of the biggest sugar factories in India. The Madras Provincial Co-operative Bank, which has already advanced nearly Rs. 15 lakhs to it for machinery etc., has agreed to advance a further sum of Rs. 5 lakhs and also to give it an overdraft of Rs. 1 lakh. The factory is capable of crushing 850 to 1,200 tons of cane per day. From the 6th of January this year it has begun actual work. It has notified the sugarcane growers of the district that it will pay a price of Rs. 10 per ton for cane, with transport charges calculated at one anna and half an anna per ton per mile for transport by road and canal respectively.

Miss B. M. Tweedle, who is in charge of the Village Industries Centre at Ikkadu near Tiruvellore in Chingleput District delivered recently a University Extension lecture at Mysore on 'Development of Rural Industries.' She said that twelve years ago when she started the work there were only 2 workers but now there are 256. No large capital was employed in the enterprise. The institution is now receiving grants from the Government of India and the Local Government. During the last two years several schools have been opened round the centre and a weavers' co-operative society has been started which is able to find a market for the cloth woven by its members.

A conference of sugarcane cultivators of Hospet Taluk took place at Hospet on the 24th December last under the chairmanship of Mr. Hosmani Siddappa, M.L.A., and protested strongly against the withdrawal of the notification issued by the Madras Government on 25-10-1935 fixing a minimum price for sugarcane. The notification was withdrawn on the recommendation of a committee which met on 6-12-1935 and which was of opinion that it was premature to fix the price, and that such fixing of the price would lead to friction between cane growers and factory owners. Mr. A. Ranganatha Mudaliar, though connected with the sugar factory at Hospet, supported the resolution of the conference.

\* \* \*

According to Miss Muriel Lister, who was Mahatma Gandhi's hostess in London, and who is now in India after spending eight months in China, an amazing transformation is taking place in that country by the earnest work of its educated young men, who have given up desires for easy and luxurious ways of life and are throwing in their lot with their impoverished peasants. Almost everywhere she found that rural reconstruction centres had been started and co-operative societies were being formed. As an example she mentioned a village where within the last twelve months by the adoption of co-operative methods three schools, a dispensary, a library and a farmer's store had been opened. Will our educated young men follow in the footsteps of their Chinese brethren?

\* \* \*

In the last co-operative year the South Canara Central Co-operative Bank took vigorous steps to put on better security such of the loans as were not properly secured. With a view to come into closer touch with the village societies and discuss questions connected with their better working, meetings of the Supervision Committee were held at different centres and they proved very useful. There was a substantial decrease in the borrowings of the Bank owing to the reduced rates of interest. It issued loans amounting to Rs. 2,67,871 to its members and collected from them Rs. 1,86,463. The percentage of balance to demand works out to 22.5 and 8.46 under principal and interest respectively. The Bank earned a net profit of Rs. 3,225-12-0 for the year exclusive of Rs. 4,000 carried to the Bad Debts Reserve.

\* \* \*

The Directors of the Madura-Ramnad District Co-operative Bank report that in the last co-operative year the collections from the societies were very encouraging in spite of the present depression and they add that it would have been even better if the Thevaram Cardamom Bank, one of its largest customers, had paid its overdue interest of Rs. 17,223-3-0. During the year loans amounting to Rs. 5,86,304 were disbursed and Rs. 5,38,992 were collected. The percentage of balance to demand under principal and interest was 63.7 and 32.3 respectively. The investments

## NEWS AND NOTES

of the Bank at the beginning of the last co-operative year stood at Rs. 9,00,000 but owing to the restrictions imposed on it in the matter of receiving deposits it paid off those already received on due dates, as a consequence of which the figure stood at Rs. 5,00,000 at the end of the year. The Bank also realised a profit of Rs. 16,562-8-0 on the sale of G. P. notes. Under the rectification scheme the Federation examined in detail loans of 96 societies. As the Federation is now liquidated, the Bank has taken over its functions. The Bank earned during the last co-operative year a net profit of Rs. 23,916-3-0, exclusive of Rs.20,870-15-0 set apart to the Bad Debts Reserve.

### List of Societies Registered in December 1935.

S. No.	Name.	District.
1	The Life Insurance Policy Holders' Co-op. Building Society.	Madras City.
2	The Palaghat Government Training School Co-op. Stores.	Malabar.
3	The Pedana Weavers' Co-op. Purchase and Sale Society.	Kistna.
4	The Kondiparru Sree Malleswara Co-op. Society, Pamarru.	„
5	The Mailpatti Sugarcane Growers' Co-op. Society, Ltd.	North Arcot.
6	The Coimbatore Sugarcane Growers Co-op. Society, Ltd.	Coimbatore.
7	The Nilgiris District Potato Growers Co-op. Loan and Sale Society, Ootacamund.	Nilgiris.
8	Rayarpalayam Co-op. Society, Viragannur P. O.	Salem.
9	The Karunthattangudi Fishermen Co-op. Better Living Society.	Tanjore.
10	Nellepally Co-op. Credit Society	... Nellore.
11	Nayudupet Local Fund Employees' Co-op. Credit Society.	„
12	Buchireddipalem Local Fund Employees' Co-op. Credit Society.	„
13	Tirupupundla Co-op. Credit Society	... „
14	Gilakapadu Co-op. Credit Society	... „
15	Uppoor Sugarcane Gowers' Co-op. Society, Ltd.	South Canara.
16	Bhadragiri Sugarcane Gowers' Co-op. Society	... „

# THE MADRAS JOURNAL OF CO-OPERATION

## List of Societies cancelled in December 1935.

Name of the Society.	District.	Date of Cancellation
Nattrampalli Ramakrishna C. S.	North Arcot	2-12-35.
Manakarai C. S.	Tinnevely	"
Vadakku Valliyoor C. S.	"	"
Georgepet C. S.	North Arcot	"
Siruthondamadevi C. S.	South Arcot	"
Kakkaveri Adi Draveda C. S.	Salem	"
Melathattapara C. S.	Tinnevely	"
Araikulam C. S.	"	"
Nattranipalli Vivekananda C. S.	North Arcot	"
Lakshmipuram C. S.	Tinnevely	"
Aska Local Co-op. Union	Ganjam	3-12-35.
Ramalingapuram C. S.	Tinnevely	"
Sarve C. S.	South Kanara	5-12-35.
Buguda Local Co-op. Union	Ganjam	6-12-35.
Jandrapet Adi Andhra Tenants C. S.	Guntur	"
Jambulingapuram C. S.	Tinnevely	"
Kopperapalem C. S.	Guntur	"
Kumaramangalam F. L. C. S.	South Arcot	"
Danapuram C. S.	Bellary	7-12-35.
Singanapudi Sree Seetaramanjena C. S.	Kistna	11-12-35.
Tirupurantakapuramkottai C. S.	Chingleput	"
Kadivedu C. S.	"	"
Sembur C. S.	"	"
Valudalambedu C. S.	"	"
Mannur C. S.	"	"
Melamiludanallur C. S.	Tinnevely	"
Valaiyapatti C. C. S.	Trichmopoly	"
Nandyal Loan and Sale Society, Ltd.	Kurnool	12-12-35.
Virupapuram C. S.	Bellary	"
Allamputhur C. S.	South Arcot	"
Rajabhupalapatnam C. S.	East Godavari	13-12-35.
Elimpet Tenants C. S.	Guntur	"
Lakkinayakkanpettai C. S.	South Arcot	"
Salavathi C. S.	"	14-12-35.
Vadathorasalur C. S.	"	"
Vizianagaram Co-op. Stores Ltd.	Vizagapatam	"
Kontharayamkulam C. S.	Ramnad	19-12-35.
Pedapati C. S.	East Godavari	20-12-35.
Konthanari Coir Workers C. S. Ltd.	Malabar	24-12-35.

## Peripatetic Institute's Examination.

The results of the examination held by the Registrar of Co-operative Societies, Madras, at the conclusion of the peripatetic classes at Tanjore are published below :—

Register No.	Name.	Register No.	Name.
I CLASS.			
11	1 R. Lakshmana Rao	23	3 K. Ramamoorthi
5	2 V. Ganesan	9	4 K. Kuppanna Rao
II CLASS.			
1	1 T. Arunachalam	19	11 M. Rajagopala Naidu
2	2 M. Dakshinamoorthi	20	12 S. Rajagopalan
4	3 G. S. Ganapathi	21	13 M. Ramachandran
6	4 V. Guruswami	24	14 V. R. Ramanathan
7	5 P. C. John	26	15 N. S. Ramaswami
8	6 A. Kalyanasundaram	28	16 A. Sivaprakasam
10	7 V. Krishnaswami	29	17 A. Subramanian
12	8 N. Maharajan	33	18 K. Thangavelu
16	9 T. Narayanamoorthi	34	19 M. Thillainayagam
17	10 T. M. Natarajan	37	20 T. R. Venkatraman

### PRIVATE.

40	21 M. Kulandavelu	42	22 M. Ranganathan
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Serial No.	Register numbers of the candidates who failed in the examination.	Subjects in which they failed.
1	3	C, B & A.
2	13	A.
3	14	K.
4	15	B & A.
5	18	C.
6	22	B.
7	25	B.
8	24	C, A & K.
9	30	T. D.
10	31	C, B, A & K.
11	32	B.
12	35	C, B & K.
13	36	C & B.
14	38	C, B & A.
15	39	C & K.
16	41	C.
17	43	C.

Note :—

C. denotes Co-operation  
B. „ Banking  
A. „ Auditing

K. denotes Book-keeping  
T. D. „ Total deficiency.

## Registrar's Circulars.

D. Dis. B. 7268/35.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 19th December 1935.*

T. AUSTIN ESQ., I.C.S.,

*Registrar of Co-operative Societies.*

*Sub:* Audit reports and financial statements—Publication of—  
instructions—issued.

### CIRCULAR.

Rule VII (2) of the Rules framed under the Co-operative Societies Act VI of 1932 Madras requires co-operative societies to publish the Audit Certificate and the prescribed statements as directed by the Registrar.

2. The Registrar hereby prescribes the following methods for publication of the Audit Certificate and statements.

(a) The *audit reports, summary of defects* and audit certificates shall be read in general body meetings of societies.

(b) The audit certificates shall be posted on the notice boards of societies so as to be open to inspection by all.

3. The central banks are requested to see that the supervisors get general body meetings of societies convened as soon as audit certificates have been issued by the Deputy Registrars and these reports read there. In order to give sufficient publication in the above manner the supervisors should be asked to certify that general meetings have been held and that audit certificates have been read at such meetings.

(By order)

K. A. PADMANABHAN,

*Manager.*

24-12-'35.

R. Dis. B.1-3182/35.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 20th December 1935.*

T. AUSTIN ESQ., I.C.S.,

*Registrar.*

### CIRCULAR.

*Sub:—*Land Mortgage Banks—appropriation of payments—method prescribed.

The Central Land Mortgage Bank has amended its by-law 40 prescribing the method of appropriation of repayments made by primary land mortgage banks. The bank has adopted the existing procedure in

building societies in the matter of repayment of Government loans. It is necessary that the primary land mortgage banks should adopt the same procedure for appropriation of repayments made by their members. They are requested, therefore to amend their by-laws in the following terms.

1. The following may be introduced as a new bylaw No. 48-A.

“A member who has taken a loan from the bank shall repay the amount together with the interest due thereon either by equated instalments or at his option in annual instalments together with interest due on the amounts outstanding from time to time. After exercising his option a member shall not ordinarily be allowed to change his method of repayment. Nothing, however, shall prevent or debar a member from repaying at any time a larger sum than the annual instalment or from discharging the whole loan in a single payment.

Whichever method of repayment is adopted, repayments other than the payment made on the due date of the prescribed annual instalment may be classed as follows:—

i. *Payment on the due date of a sum in excess of the amount due.* Such excess payment should at once be credited in reduction of principal but no postponement of any future instalment will be allowed on this account nor the amount of subsequent instalments reduced.

ii. *Payment before the due date.* Any sum paid before the due date shall first be credited towards the interest which has accrued upto the date of payment and the balance, if any shall be credited towards principal, the member being required to pay on the due date the balance of interest due for the year and also the balance of principal, if any, due for the year. If the amount paid before the due date is in excess of the annual payment, the number of future instalments should be correspondingly reduced but no postponement of such instalment will be allowed nor the amount of subsequent instalments reduced.”

2. The first two sentences of model by-law 49 may be deleted.

3. The words “fallen due” after the words “secondly to interest” in model by-law 52 may also be deleted.

(By Order)

K. A. PADMANABHAN,  
Manager.

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## Extracts.

### RURAL RECONSTRUCTION.

BY MR. F. L. BRAYNE, M.C., I.C.S.

*Commissioner of Rural Reconstruction, Punjab.*

The problem of rural reconstruction has always been important, but the calamitous fall in prices and the general depression into which the Indian countryside, like the rest of the world, has sunk, has made it doubly urgent. There are three things to be done (1) to make up our minds what we wish to do in the village and what we wish the village to look like when we have done it, (2) to spread the knowledge of what must be done to every man, woman and child in every village, and (3) to devise means of carrying out our programme and of ensuring continuity for anything that is done.

The making up of the programme is fairly easy. We want the village to be healthy and the people to have sufficient, and properly cooked, food to eat, enough money to buy their simple necessities and enough culture to enable them to make good use of their leisure. The main-spring of health is cleanliness and fortunately the cleanliness of the village brings with it the proper conservation of the manure supplies, and that means better crops. Ventilation and vaccination are quite simple, and in most Punjab villages the control of mosquitos is also fairly simple. For every mosquito bred in marshes which require elaborate drainage schemes to clear up, nine others are probably bred in small holes and pits round the village which the villagers could perfectly well fill up without any cost to themselves or to Government. The general health and well-being of the family and the provision of a well-cooked and well-balanced diet demand the education of the woman and that is the biggest item of our whole programme. In fact the old Gurgaon slogan of a clean village and an educated housewife still holds good and always will hold good, as the centre of the home life is the woman and once she really knows what should be done, she will either do it herself or see to its being done, and will not allow her children to suffer for the ignorance or laziness of her menfolk or for any other remediable cause.

The outturn of the fields could probably be increased by anything up to fifty per cent by the application of hard work and brains and whatever capital is available, and this and the cleaning of the village are what the men must do. Rural industries must be developed, but the biggest industry is farming. Better seed, more and better ploughing, more weeding, better kinds of crops, better methods of cultivation, such as the sowing of cotton in lines, watbandi, the more careful use of canal water, the obtaining and keeping of better bulls, the checking of cattle disease by the segregation of sick and newly bought cattle, and above all the

proper conservation of manure are things within the reach of every cultivator, if he will set to work in combination with his fellows to achieve them, and these simple things will make a world of difference to his well-being. There is still quite a lot of unnecessary expenditure going on, whether it is on ornaments, social ceremonies, quarrelling, litigation or drink, and all these things must be severely discouraged. It is useless trying to increase a man's income while he is still throwing his money away, and so the teaching of thrift and wise expenditure is even more important than better farming and cottage industries. Better farming without thrift is like pouring water into a sieve.

When his village is clean, his house properly ventilated, mosquitos kept under control, his family properly vaccinated, his land farmed in the best manner possible, his wife educated and taught the domestic arts and sciences, so that she can keep her family healthy and comfortable, and when all leisure is spent in healthy recreation or profitable occupation, and all waste and unproductive expenditure are reduced to the minimum, the villagers will have done a great deal towards the reconstruction of rural India.

The young men must have organised games to occupy their spare time and to keep them out of mischief. Cattle stealing, litigation, fighting and quarrelling must give way to good rough games which cost nothing and bring the added blessing of good health. The dullness of village life must be countered by the entertainments which the school can organise and which the Rural Community Councils and other such bodies can develop. Game's clubs, women's institutes, magic lantern and cinema shows, sports, meetings, exhibitions and wireless broadcasting are all easily possible. When there is an authority in the village to develop its amenities and provide for its necessities and there are live organisations in the district to assist and co-ordinate and inspire all activities for the good of the countryside, there is no reason why the Indian village should be any more dull or unhealthy than the villages of any other country.

Violent crime is the bane of the Punjab. Teach the people to busy themselves in improving farm, home and village, develop games and amenities, improve health and comfort, provide agencies for the settlement of squabbles and disputes, consolidate the holdings of land, bind the people together in co-operative societies and panchayats, above all educate the women so that they may be able to make their homes worth living in and to teach their children discipline and self-control, and violent crime will cease to be the big feature it is now of Punjab life.

Knowledge is the mainspring of action and therefore we must spread the knowledge of our programme to every man, woman and child in the village. This can be done through the school, but the schools must also be assisted by the other arts of the propagandist, such as village newspapers, wireless broadcasting, travelling shows, competitions, exhibitions, and so on. As before said, the education of the woman is vital to any programme of rural reconstruction. She is responsible for the upbringing of the children, the spending of the family budget, and the making of the clothes, the cooking of the food and all the important

## EXTRACTS

things of village life. Unless therefore she is trained to do her share of the work and to take her place in the counsels of the village, rural reconstruction will hang fire.

This work cannot be done from outside the village and to obtain the carrying out of our programme and to secure permanence and continuity for any work which is done, a resident agency is required, and there seem to be five possible agencies in the village. The first is the educated housewife who, as we have before explained, is the centre of home life. The betterment of her children and family is an instinct with her. Train her therefore and she will be our constant ally. Neglect her and no work will be permanent.

Our second agency must be the country squire, the rural magnate, and the large land-holder. He must be persuaded to live in his village, and having educated himself and his wife and children, to carry out the work of rural reconstruction, and see to it that his village is made worth living in. If he is allowed to run away to the towns he will not care whether his village festers in squalor, or is the happy home of health peasants. If he is compelled to live in it he himself and his educated wife will see to it that the village becomes a pleasant place to live in.

Our third agent is the village school which naturally must teach the whole of our programme and should of course contain both a Boy Scout Troop and a Junior Red Cross group, and in time become the centre and pivot of all village life and activity.

Our fourth agent is the co-operative society. Co-operative societies can be of any kind suited to the carrying out of the rural reconstruction programme in each particular village. Better living societies, thrift societies and cattle improvement societies are all common forms and there is no useful activity of rural reconstruction for which a co-operative society cannot be formed.

There is finally the village panchayat, which, it is hoped, it may be possible to develop as the machinery for the administration of the village and for the carrying out of the whole programme of rural reconstruction. Properly supervised and given statutory powers to raise and spend money for the administration of the village, it might in time provide for all its necessities and amenities, clean it, ventilate it, provide playing fields and the many for an occasional visit from the touring cinema of the Rural Community Council, see that the little boys and girls all go to school, and generally make the village worth living in.

Such is the programme and it is certainly neither expensive nor complicated. The main difficulty in carrying it out in every village in the province is to overcome the apathy and the ignorance of so many of the villagers, and to make them determine themselves to better their lot by their own efforts instead of sitting with folded hands, bemoaning their lot and expecting some angel from heaven to put things right for them.

Here is work indeed for everybody who wishes well of this country. Let us join together to carry out the Rural Reconstruction Programme, first of all by our own personal efforts in our own homes, offices and departments and on our own farms and estates and then by losing no opportunity of teaching and helping people to do the same.

— (*B. & O. Co-operative Journal*).

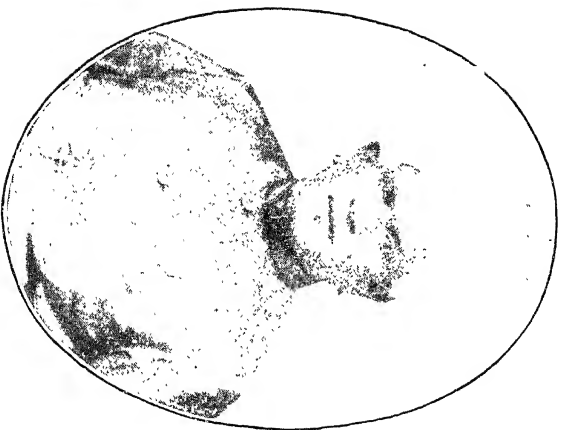


The Late Rao Sahib, T. K. Hanumantha Rao,

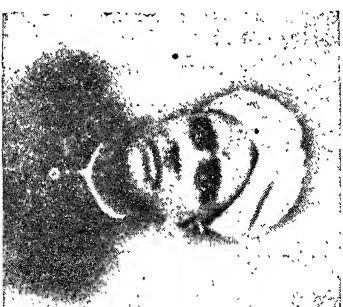


The Late Mr. V. C. Rangaswamy

## New Year Honours.



Rao Bahadur K. Sambasiva Chettyar,  
*President : Union Bank, Conjeevaram.*



Rao Sahib C. Venkataramana Iyer,  
*President : Town Bank, Chittoor.*

# THE Madras Journal of Co-operation

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[No. 9

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## Editorial Notes.

### Mr. Deivasikhamani Mudaliar.

On the 6th of this month Dewan Bahadur K. Deivasikhamani Mudaliar, Joint Registrar of Co-operative Societies, Madras, will retire from service. He joined the department in 1905, soon after it was formed, as an Inspector. Before that he had been for some time the honorary secretary of the Kilacheri Co-operative Society and his good work in that capacity attracted the attention of Mr. (later Sir) P. Rajagopalachariar, the first Registrar, who was able to persuade Mr. Mudaliar to join his staff. Mr. Mudaliar received invaluable training under him and Mr. R. Ramachandra Rao, the second Registrar, than whom none realised better the potentiality of the co-operative movement for bringing about the moral regeneration of the country. Mr. Mudaliar soon won the affection and regard of both officials and non-officials by his sympathy, tact, and knowledge of co-operation and accounts. Step by step he rose to be Chief Inspector, Assistant Registrar, Personal Assistant, Joint Registrar and acted as Registrar on two occasions. Government showed their continued appreciation of his services, by first making him Rao Sahib, then Rao Bahadur and then Dewan Bahadur. In the later years of his service he naturally showed an unequalled knowledge of details, being the most experienced officer in the department. At the same time he was a true representative of the old school—deep in the knowledge of human nature, shrewd, tactful and yet firm. He took a special interest in the Milk Supply Union and

made it a success against heavy odds. Though he has had to retire according to service rules, there is plenty of work in him, and we are sure that he will be available for long to serve the movement as a non-official.

In his place Mr. M. Giriappa has been appointed as Joint Registrar. We wish him as useful and successful a tenure of office as his distinguished predecessor had.

### The Central Co-operative Printing Works.

The Central Co-operative Printing Works, which was organised by the Provincial Co-operative Union in 1919, in pursuance of a resolution of the Provincial Co-operative Conference, and which worked satisfactorily for a long time, has not been doing quite well during the last three or four years. The Joint Registrar of Co-operative Societies held an enquiry into its affairs in August 1935 to see if the management should not be superseded, and on 2nd October he cancelled the registration of the society. The Directors thereupon appealed to Government against the order of liquidation and, along with some non-official co-operators interested in non-credit co-operation waited in deputation upon the Registrar and represented to him that liquidation was a drastic remedy and that they were prepared for any step to revive the society short of liquidation. The Registrar thereupon decided to give a chance to the society by appointing a Special Committee in supersession of the Directors for a period of six months from the 5th February 1936. The Special Committee consists of Mr. A. G. Anderson, Senior Deputy Superintendent, Government Press, Madras; Rao Sahib M. J. Venkatakrishna Pillai, retired District Registrar of Assurances; Mr. C. D. Nayagam, retired Deputy Registrar of Co-operative Societies; Mr. K. C. Ramakrishnan, Senior Lecturer in Economics, University of Madras; and Mr. V. Venkatasubbaiya, Joint Secretary, Madras Provincial Co-operative Union, Madras. The Special Committee has now taken charge of the Press and has obtained the services of a Senior Inspector as its Manager.

The chief charges against the Directors who were superseded were that they neglected the main object of the society, which is to do printing for co-operative societies and their members and to supply stationery, account books etc., to the societies; that they depended more and more upon private jobs, and that they did not carry on the work of the press on right business lines. The Special Committee

will no doubt restore to the press its co-operative character and will try to rectify all the defects pointed out by the Registrar in his order. But the success of its attempts will depend entirely upon the degree of co-operation which the member societies will extend to the press. Some of the biggest co-operative institutions in the city of Madras, which have contributed a good deal to the share capital of the press, have in recent years withdrawn their work from it for various reasons which it is unprofitable to discuss at present. We earnestly appeal for their co-operation. It is the good fortune of our city to possess some of the best known leaders of the co-operative movement and some of the foremost co-operative institutions in the whole country—for instance, the Triplicane Stores, the Central Land Mortgage Bank, the Co-operative Insurance Society and the Provincial Bank. With the help of these leaders and these institutions it should be no difficult task to save the press and also to develop it. It is the oldest existing co-operative printing press in India. It would be a discredit not only to member societies but also to the whole movement in our province if at the end of the life of the Special Committee the Registrar should find it necessary to liquidate the society. We trust such a calamity will be prevented.

### **Brennen College Co-operative Store.**

One cannot too highly commend the manner in which the Government Brennen College Co-operative Union, Tellicherry, has chosen to commemorate its successful working during the last year. It has brought out an "annual," apparently in the hope that it would be able to bring out a similar volume every year, of nearly a hundred pages, containing extracts from books and articles by well known writers regarding co-operation in general and the store movement in particular, and several original articles by practical co-operators in this province, with appreciative messages from the Registrar of Co-operative Societies and the Director of Public Instruction. The volume is dedicated to the 'Young Co-operators of the Brennen College' in appreciation of the good work done by them and in the hope that 'when they enter life they will do their best to popularise the movement which is fraught with such infinite possibilities for the social and economic uplift of India,' as the President of the Union, Mr. T. M. Kelu Nedungadi, has said in the foreword. Free copies of the volume have been sent to every High School and College in this Presidency and in the States of Hyderabad, Mysore, Travancore, Cochin and Pudukottah. The selections cover a wide range and are



made with considerable judgment and industry. They are very well suited for inspiring and informing the young mind. In bringing out this volume the Union has shown a high type of co-operative idealism.

The Union has been conducting a students' co-operative store from the year 1920. Until the present secretary, Mr. T. Rama Pisharody, assumed charge in 1933, there was nothing remarkable about its working. But he has been able to galvanize it and make it about the best institution of its kind in our province—which illustrates how much the working of institutions depends upon the right type of workers being available. Mr. P. V. Krishna Aiyar, Deputy Registrar, Malabar, says that during the present regime, the activities of the society as well as its usefulness and popularity have increased tenfold.

"In 1934 it transacted business to the extent of about Rs. 7,000 and earned a net profit of Rs. 530. In the year 1935 transactions exceed Rs. 10,000. (Net profit Rs. 877). Apart from the increase in the volume of business, the number and variety of articles dealt with by the store have increased enormously. It now supplies most of the requirements of the student and the teacher, including sports-goods, dress, college crest, blocks of photographs, prize books and medals and also publishes the College Magazine. The member instinctively turns to the store for satisfying all his needs. There is the minimum of waste and unsold and unsaleable goods. If one sits for an hour or a half in the office of the Secretary just before the College commences its daily work and watches the society at work, he would feel immense satisfaction at the part played by the store in the life of the students of the College."

That the Union may maintain its present idealism and business efficiency and that in this respect other students' stores may emulate it, will be the wish of everyone. The district of Malabar possesses a large number of students' stores and we hope ere long the Tellicherry College Store will take steps to form a kind of Federation so that their common articles of use may be bought at wholesale rates.

### Marketing of Oranges.

In an informing speech which Mr. K. Gopalakrishna Raju, Provincial Marketing Officer, Madras, made recently at Anantarajpet in Cuddapah district on the occasion of the opening of the Fruit Research Station, he said that the city of Madras was the biggest market in the Presidency for oranges, that it received during 1934-35 about 90,000 railway maunds of oranges, of which the Nagpur and *Sathkudi*

varieties accounted for as much as 37,360 and 35,000 maunds respectively, that there were periods of scarcity and glut which led to abnormally high and low prices, and that if an association of producers of *Sathkudi* oranges was organised on the lines of the Co-operative Organisation of the California Fruit Growers, it would be able to reduce the glut by developing new markets, reduce the number and charges of middlemen, improve the methods of marketing and also the technique of production and in various ways benefit both the producer and the consumer. Co-operators in Madras, particularly the authorities of the Provincial Co-operative Bank are eager to promote the co-operative marketing of agricultural produce, and if the Provincial Marketing officer will seek the help of the Co-operative Department and of the Provincial Bank in organising the market for *Sathkudi* oranges in Madras, we are quite sure he will meet with a hearty response. The best course would be for the marketing officer to draw up a practicable scheme and get it discussed at a meeting of the representatives of the Co-operative Department, the Provincial Bank and the growers. We shall be glad to render whatever help we can.

### Where Chota Nagpur Leads.

One's idea of Chota Nagpur usually is that it is a backward area peopled largely by aboriginal tribes. That may be so, but in certain directions it is showing an earnestness and enlightenment which areas which pride themselves on being advanced will do well to copy. According to Mr. S. C. Mukherjee, Assistant Registrar of Co-operative Societies, Ranchi, who has written a note in the *Bihar & Orissa Co-operative Journal* on the educational work of Ranchi societies, some of the co-operative institutions in that district have kept the ideal of helping education absolutely in the forefront, and if they are not doing more than what they are doing at present, it is not due to lack of keenness but to lack of resources. The leading society in this respect is the Chota Nagpur Catholic Society.

"It gives a monthly stipend of Rs. 118 from year to year to 5 upper primary and lower primary schools. It has a primary education fund of Rs. 15,605 out of the income of which stipends are given to poor students. During the last year, Rs. 3,048 was thus given away to the poor students reading in primary schools and Rs. 927 to the students reading in the University. It has a higher education fund of more than Rs. 6,000, the income of which is utilised in helping the high schools and all this is a recurring activity.

Mr. Mukherjee mentions several other cases, in some of which the members of societies have contributed not only funds but also free labour for the construction of school buildings. That is a more difficult matter than voting funds from the profits of the society. We heartily congratulate the co-operators of Ranchi on their fine public spirit and commend their example to others.

### “The Movement be wound up!”

Notice of the following resolution was given by Mr. S. G. Naik for discussion during the last session of the Central Provinces and Berar Legislative Council:—

“This Council recommends to the Government that the co-operative movement be wound up and all the Central Banks liquidated, if necessary by advancing a loan up to a sum of fifty lakhs of rupees, which amount shall be recouped in about twenty-five years by the immediate closure of the Co-operative Department.”

Unfortunately this and some other resolutions were not reached on the day which was allotted for their discussion and so a lively debate was lost. Before the discussion day strong protests appeared in the local papers. “A Co-operator” wrote in the *Hitavada* :

“True it is that the co-operative movement has not been as successful as it should have been. Perhaps no movement has. But then what are the reasons? Does Mr. Naik know them? Has he ever been a member of a co-operative society, a director or an office-bearer of any central bank? No, I know he is as innocent of the working of the movement as he is of the drastic consequences of his proposal.”

At the same time some of the most prominent co-operators of the Provinces, including Rao Bahadur K.V. Brahma, C. I. E. and others, have given notice to the C. P. and Berar Co-operative Federation of their intention to move the following resolution at the ensuing session of the Federation Congress:

“This Federation Congress deprecates the attempt being made by some persons in the Legislative Council and elsewhere to run down the co-operative movement even to the extent of asking the Government ‘to close down the co-operative movement’. The Co-operative movement is acknowledged all over the world as the best means of ameliorating the condition of the agriculturists in general and of the over-indebted cultivators in particular. Central Banks are again the acknowledged means of diverting the flow of capital into rural channels. This Congress feels that, to say or do anything to impede the working of these nation building institutions, is to court a disaster for those for whom these persons pose to speak.

This Congress, therefore, appeals to those very persons to abandon their pessimism and defeatism and to support the movement by all means in their power for the benefit of the agriculturists themselves, irrespective of their personal feelings in the matter. The Congress further appeals to the Government, the Hon. Minister for Co-operation and the general public, who have the good of the agriculturists at heart not to be misguided by the interested attitude of persons who, in season and out of season, run down the movement to the incalculable harm to the poor."

Mr. Naik's proposal is not a joke, but is made rashly without a realisation of the consequences and in ignorance of the working of the movement. Seeing how his resolution has been received by the Press, we do not think he will seek another opportunity to move his resolution—unless it be to show that he is rash enough for that too!

### Co-operative Education and Non-official Agency.

It will be recalled that the co-operators of this province at their last provincial conference protested strongly against the Government of India not having asked the Local Governments to consult non-official organisations in formulating a scheme for co-operative education, for which purpose the Government of India have made a special grant to Local Governments. We observe that a similar protest was made by the co-operators of Bengal at their last provincial conference which was presided over by Dr. Pramathanath Banerjea, President of the Bengal Co-operative Organisation Society. In addition to the President's strong pronouncement on the subject, Mr. S. K. Lahiri, Secretary of the Organisation Society, made a weighty statement in the course of which he pointed out:—

"A proper development of co-operative societies can never be brought about by Departmental control and guidance. It is this consideration which has led promoters of the co-operative movement in Western countries to entrust bodies like the Bengal Co-operative Organisation Society, with such functions as education, publicity, organisation, etc. Government in this country had so far acknowledged the wisdom of such a course. And this policy had the support of various Commissions and Committees that had conducted enquiries into the working of the co-operative movement and suggested lines of reform and progress. If the co-operative movement is to be successful it must be based on popular support and the application of the principles of autonomy and self-help."

Hitherto the Bengal Government were seeking the co-operation of the Organisation Society and giving it a grant for propaganda purposes. Why should there be a change in the policy? What is

particularly regrettable is that the same change of policy is to be observed in several provinces at the same time, so that one is led to infer that it is inspired from a common source. We have heard some officials argue that Government money should be spent only through Government agencies. If this is accepted as a policy, it leads to inefficiency and waste in many cases. Whatever is the best agency for the particular purpose in view should be the one chosen. The co-operative movement being a people's movement depending for its efficiency upon the degree of enthusiasm that is created for it in the members of societies, it is best promoted by non-officials who move freely among the people and who can understand the difficulties of the people better than the officials. We hope the Central and Local Governments will therefore revert to the more sensible former policy.

### The Indian Co-operative Review.

We congratulate this excellent quarterly journal, published under the auspices of the All-India Co-operative Institutes' Association and edited by Mr. V. Ramadas Pantulu, on having completed its first year and entered upon its second. There had been a slight change in its form: the size is a little smaller, the paper used is different and the wrapper has been made distinctive. The get up is as attractive as before. The subject chosen for special treatment in this number is Urban Banks. The journal has justified all expectations and come to occupy the foremost place among Indian co-operative journals. Nay—it ranks among the best co-operative journals of the world. Being published from Madras, we have every reason to be proud of our young contemporary.

### Government of India's Special Grant.

On the 25th of February last, Mr. A. B. Shetty put the following question in the Madras Legislative Council.

Will the Hon. the Minister for Public Works be pleased to state

- (a) whether the scheme for the training of panchayatdars and supervisors of co-operative societies referred to in the answer to question No. 427 of 4th November 1935 has received the approval of Government;
- (b) if so, what the particulars of the scheme are; and
- (c) whether the Madras Provincial Co-operative Union was asked to express its opinion on the scheme and, if so, what its views are?"

The answer of the Minister was :

## EDITORIAL NOTES

“(a) & (b) A copy of the scheme as accepted by this Government has been sent to the Government of India and is still under their consideration. It is not yet possible to furnish details of the scheme.

(c) The Provincial Co-operative Union accepted the scheme of training proposed for supervisors and panchayatdars.”

Question No. 427 of the 4th November 1935 related to the special grant of Rs. 3,59,000 promised by the Government of India for co-operative education and the scheme framed by Government for its expenditure. The answer of Government to Mr. Shetty's question under (c) comes to us as a great surprise, for all along non-official co-operators have been complaining that they have not been consulted in that matter and a resolution was passed at the last Provincial Co-operative Conference (29th September 1935) requesting the Government of Madras to frame their scheme in consultation with the Madras Provincial Co-operative Union. At the conference Dewan Bahadur T. A. Ramalingam Chettiar categorically stated that while in the matter of the training classes for supervisors the Registrar had consulted the Provincial Co-operative Union, he had not done so either formally or informally regarding the scheme for the utilisation of the special grant. After the Conference no consultation has taken place and therefore we are at a loss to understand the Minister's statement.

There has been consultation between the Provincial Co-operative Union and the Registrar for a considerable time regarding the training classes for supervisors conducted by the Training Institutes under the auspices of the Provincial Co-operative Union. On the 23rd June 1935 the Executive Committee of the Provincial Union drew up a revised scheme at the request of the Ramadas Co-operative Institute, Rajahmundry, and on 26-6-1935 it was submitted to Government through the Registrar for their approval. On 16-8-1935 a communication was received from the Joint Registrar containing his remarks on the revised scheme. In his letter he said, “The revised scheme proposed by the Provincial Union fits in, more or less, with my scheme sent up to Government in April last except in one or two particulars. I enclose a note describing the scheme of training proposed for supervisors and panchayatdars.” We are giving below the note herein referred to. It contains no reference to the special grant from the Government of India and purports only to improve the system of training supervisors etc. From the details of the scheme it is obvious that it is intended to be financed from the ordinary

revenues of the province. The Executive Committee of the Provincial Union considered this letter on 18-8-1935 and adopted the following resolution, which was duly communicated to the Registrar :

“Subject to ratification by the Board of Management the new scheme of Training Institutes received from the Joint Registrar is approved and will be worked and that Rajahmundry Institute be requested to make arrangements to start classes by the 15th of September 1935 under the new scheme. The President is authorised to deal with the recommendations regarding staff.”

It is a far cry from this resolution to the statement made by the Minister that the Provincial Co-operative Union had accepted the scheme of training proposed for Supervisors and Panchayatdars, in connection with the special grant of the Government of India. We do not know if there is another scheme submitted by the Local Government in confidence to the Government of India, which has not been placed even on the table of the Legislative Council. The non-official co-operators have a legitimate grievance that they have not been consulted in framing the proposals for the utilisation of the Grant.

NOTE—REGARDING THE TRAINING OF SUPERVISORS OF UNIONS AND OF PANCHAYATDARS, SECRETARIES AND CLERKS OF SOCIETIES.

The question of improving the system of training of supervisors, panchayatdars, secretaries and clerks of societies has been engaging the attention of the Registrar for some time past. The following scheme of training is proposed to be instituted in the place of the present scheme.

I. *Training of supervisors* :—

(i) *Selection of candidates*—The number of vacancies of supervisors of unions each year in a district will be decided by the central bank and the local Deputy Registrar a year in advance and the selection of the required number of suitable candidates will be made jointly by the Central Bank and the Deputy Registrar concerned. The candidates should be holders of the S.S.L.C., preference being given to those who come from villages and who have a rural outlook.

(ii) *Preliminary training*—(two months)—The selected candidate will be attached to an experienced supervisor for preliminary training for two months. During this period he will acquaint himself with the working of different types of societies, read the by-laws and the Co-operative Societies Act and the rules and watch the work of a supervisor and assist him in his ordinary duties. He will also study and acquaint himself with the village conditions. After this preliminary training, the President of the Central Bank along with the local Deputy Registrar will

hold a written and an oral examination to test the fitness of the supervisor for rural work. If the candidate passes the test, he will be directed to attend the supervisor's training class in a peripatetic training Institute in the mufassal.

(iii) *Theoretical instructions in the peripatetic schools*—(5 months) —There will be two peripatetic schools, (1) for the northern districts the classes will be held at each centre in rotation, *i.e.*, one session will be held at Rajahmundry, the next at Bezwada and the third at Anantapur in the Telugu districts. (2) In the case of the school in the Southern districts one session will be held at Vellore, the next at Tanjore and the third at Coimbatore. The candidates selected for training in Ganjam, Vizagapatam, East Godavari and West Godavari districts will attend the classes to be held at Rajahmundry, those in Kistna, Guntur and Nellore districts will attend the classes at Bezwada, those in Bellary, Kurnool, Anantapur and Cudappah will attend the classes at Anantapur, those in North Arcot and South Arcot, Madras Chingleput and Chittoor will attend the Vellore class; selected candidates of Tanjore, Trichinopoly, Madura, Ramnad and Tinnevely districts will go to the class at Tanjore and those in Coimbatore, the Nilgiris, Salem, Malabar and South Kanara will attend the class at Coimbatore. The admission to each school will be restricted generally to 40 candidates. If the number of supervisors selected by the Central Banks in the districts affiliated to each centre of training is not sufficient, the Institute may admit other candidates up to the maximum number of 40 candidates. This restriction of 40 may, however, be relaxed in exceptional cases with the previous approval of the Registrar. There will be a Superintendent (on Rs. 100-10<sup>2</sup>/2-150) in charge of each of the peripatetic school; he will be an M.A. or B.A. (Hons.) (Economics) selected by the Madras Services Commission and appointed by the Registrar. He will be a full-time Government servant, solely in charge of training. The Superintendent will be assisted by two instructors appointed by the Provincial Co-operative Union, their scale of pay being Rs. 55-5<sup>2</sup>/2-70. The Instructors will be paid by the Provincial Co-operative Union and a subsidy will be given by the Government to cover their pay and travelling allowance. A clerk and a peon will also be given to each peripatetic school. The pay of the clerk and the peon, rent for the school building and other contingencies will also be met from the subsidy to be given by Government. The period of theoretical instruction at the Institute will be for five months and instruction will be given in the essential elements of Co-operation, Auditing, Book-keeping and Banking.

(iv) *Practical training*—(two months) —After this theoretical training, the candidates will be given practical training in executive work for two months under the control of the staff of the Peripatetic School, that is to say, they will learn the work of supervisors and do the work themselves—



*i.e.*, organisation and starting of societies, supervision of societies including preparation of property statements and of loan applications and writing up several account books, preparation of annual statements, balance sheets and D.C.B. of loans etc.

(v) *Examinations*—After this period, the candidates will be required to appear for an examination conducted by the Provincial Co-operative Union and only those who come out successful will be eligible for appointment as supervisors.

If the required number of candidates for training as supervisors is not forthcoming on account of the long period of training, the Central Banks may offer them an allowance of Rs. 20 per mensem during the period of preliminary and practical training. It is proposed to obtain from Government a subsidy to cover this allowance.

(vi) *Refresher course*—Refresher courses will be held for supervisors once in six months at the headquarters of Central Banks where discussion on the problems which have arisen in the course of their work will take place. The Sub-Deputy Registrar of the district will test the knowledge of the supervisors in regard to the latest development of the movement and circulars. The classes will last for three to five days and the cost of these classes will be met by the Central Banks.

## II. *Training of panchayatdars, secretaries and clerks of societies:—*

In addition to the existing arrangement for the training of panchayatdars who assemble at the general meetings of local supervising unions, there will be a Senior Inspector and Junior Inspector for the Tamil districts and another Senior Inspector and Junior Inspector for the Telugu districts to conduct practical training classes for panchayatdars at select centres in the principles of co-operation, maintenance of accounts, preparation of D. C. B. statements of loans, duties and responsibilities of panchayatdars etc. Training work in Malabar and South Kanara districts will be attended to by the Inspectors of the district for two months in the year for which period a temporary addition to the staff of the district will be made. Classes for each district will be held in about seven centres in a year and the inspectors will proceed district by district. In all 150 classes may be held in a year. Each class will cost roughly Rs. 150 and the total cost will be about Rs. 22,500. It is likely that Government may meet one half of this amount subject to a maximum of Rs.12,000 in a year provided the other half is met by the Central Banks concerned. The cost of seven classes in a district will be roughly Rs. 1,050 and the Central Bank concerned will have to meet about Rs. 525 a year for the training. (Central Banks and Federations were incurring more than this amount for the training of panchayatdars up to 1931).

## Debt Redemption Schemes

BY SIR M. RAMACHANDRA RAO, Kt.

*President, Madras Co-operative Central Land Mortgage Bank.*

The question of co-ordinating the activities of the Land Mortgage Banks and the operations of the special officers for granting of loans under the Agricultural Loans Act as now amended has been considered at the Conference held some time ago at the Secretariat. Two special officers have been appointed by the Government as an experimental measure to gain experience of the actual difficulties in tackling the problem of agricultural indebtedness, and are now working in East Godavari and Chingleput districts. It is understood that the amendment of some of the rules under the Agricultural Loans Act and that a larger scheme for starting operations for the relief of indebtedness by Government agency are under consideration. There are, however, some points on which further discussion for co-ordinating the work of the two agencies is desirable. Some understanding on these points has to be arrived at to avoid any conflict or rivalry between the two agencies.

It may be stated at the outset that in taking a loan from the Government, the borrower has certain advantages which are not available to the land mortgage banks. The first is that every borrower who takes a loan from the land mortgage bank has to contribute by way of share capital  $1/20$ th of the loan. A man who borrows has to become a member of the primary bank and take shares therein in proportion to the loan. The primary bank cannot grant any loan without the necessary contribution of share capital from members. Out of the  $1/20$ th of the loan contributed as share capital to the primary bank, about one half is retained by the primary bank as the borrower's share capital and the other half is contributed by the primary bank as its share capital to the Central Land Mortgage Bank, which under the rules is limited, in regard to its borrowing, to 25 times its share capital. This is how the share capital of the Central Land Mortgage Bank and the primary banks is secured. If, for any reason, the loan is not granted, the share capital is returned to the borrower by the primary bank. The contribution of share capital is an essential feature of the land mortgage bank system and cannot be dispensed with. It imposes some amount of financial

burden on the borrowers before obtaining the loan and is intended to secure only *bona-fide* borrowers who are in a position to make the contribution by way of share capital. This contribution is made before the loan is granted. Where the loan is taken from the Government, there is no such financial contribution by the borrower.

Another important difference between the two systems is that the interest charged by the Government to the ultimate borrower is cheaper than the rate charged by the Land Mortgage Banks. The Government now charges  $5\frac{1}{2}$  per cent, whereas the primary bank which borrows from the Central Land Mortgage Bank now charges 6 per cent to the ultimate borrower. The Central Land Mortgage Bank has to raise the necessary funds by offering an attractive rate of interest to the general public, which at present is at least half a per cent more than the rate of interest payable on Government securities. The Central Land Mortgage Bank cannot, at any time, even with the guarantee of the principal and interest by the Government, hope to raise funds unless it offers a higher rate of interest than the Local Government and the Government of India. The financial experts associated with the Central Banking Enquiry Committee expressed the opinion that the Central Land Mortgage Bank should raise its funds by offering a competitive rate of interest in the open market. For these reasons, it is necessary to charge a higher rate of interest to the ultimate borrower than the Government is able to do. The present rate of interest charged by the primary bank to the ultimate borrower is 6 per cent. In these circumstances, there can be no doubt that borrowing from Government is certainly cheaper to the borrower though it is by no means clear that the overhead charges for working the scheme will be cheaper under the Government scheme than under the land mortgage banks' scheme. It has been stated that in the East Godavari district where the special officer for loans is now carrying on operations, some of the borrowers are now thinking of discharging the loans to the Land Mortgage Bank at Alamuru and taking a loan from the Government for the same amount in order to take advantage of the cheaper rate of interest offered by the Government. It seems desirable that such developments should not be permitted. Our endeavour should be to spread out the operations of these two agencies for the clearance of debts on as wide an area as possible and not merely to afford facilities to change from one system to another. It is also necessary that the lending rate charged by the two agencies to the

ultimate borrower should be as far as possible the same, namely, 5½ per cent. This can be done if the Government do not insist on contribution by the Central and Primary Land Mortgage Banks for the outdoor staff employed for the investigation of loan applications. If this is agreed to by the Government, the lending rate can be the same under both the agencies.

The third point of difference is that the period of the Government loans is 25 years, whereas it is 20 years in the case of mortgage loans to the Central Land Mortgage Bank. The bye-laws of the Central Land Mortgage Bank and Primary Banks provide for loans for a period of 25 years. But the question is whether debentures for 25 years can be successfully floated. Unless we are fairly certain of success, we cannot put forward debentures redeemable in 25 years. One of the financial experts of the Central Banking Enquiry Committee expressed the opinion that the debentures should be for a period of 25 years but that the loans to the borrowers should be only for 20 years. This is intended to provide for possible failure by the ultimate borrower in some years and if we make the debenture period and the loan period the same, the bank may be inconvenienced in redeeming the debentures. It was, therefore, considered desirable to provide a period of 5 years for possible failures by borrowers in paying their instalments. Investors have always shown a preference for short dated securities.

Another important difference relates to the proportion of the loan and the value of the properties proposed to be mortgaged. The Primary Banks now lend only 40 per cent of the value of the properties as valued by the appraising officers, though under the by-laws they can go up to 50 per cent. In view of the depression and the fall in the value of landed property it was considered necessary that primary land mortgage banks should not lend more than 40 per cent of the value of the properties as estimated by the Sub Deputy Registrars and the result has been justified. The Central Bank's view has been that our attempts should be to get back the money lent, from the income of the land and not to get it by a sale of the properties as far as possible. The Government began with lending up to 66⅔ per cent but it is understood that they have now decided to adopt the same ratio as the Central Land Mortgage Bank *i.e.*, 40 per cent of the value of the property.

The loans below Rs. 2,000 during the half year ending with December 1935 sanctioned by the Central Land Mortgage Bank

amounted to Rs. 5,42,600 and loans above Rs. 2,000 amounted to Rs. 12,28,200. It will be seen, therefore, that the loans below Rs. 2,000 are about 40 per cent of the total loans dealt with by the Central Land Mortgage Bank during the last half year ending with December 1935.

In view of all these circumstances, the following questions arise for consideration :—

i. Should the special officers and the land mortgage banks work side by side in the same area, or should they concentrate their work in different areas? Should both the agencies grant loans below Rs. 2,000.

ii. Is it desirable that the primary banks should adopt the same rate of interest as the Government? If the two systems are to work side by side in the same area, a certain amount of rivalry between the two agencies is inevitable, if the rate of interest is different. Is it possible to avoid this rivalry by coming to an understanding as regards the areas in which each of the agencies should continue to work?

iii. Is it desirable and is it possible for the Central Land Mortgage Bank to raise money for 25 years by the issue of debentures?

In regard to the first of these questions, it is, in my opinion, desirable that where the Land Mortgage Banks have been fairly established, they should continue to cater to the requirements of the agriculturists and that the Government agency should work in districts where these banks have not as yet been established. For example, there is a bank for each of the taluks in the Coimbatore District and a total sum of over Rs. 11 lakhs has already been lent through the banks established in that district. Similarly, there are six banks in each of the deltaic portion of the East Godavari and Krishna Districts, where they are doing very good work and the sums lent by these banks in each of the districts are about Rs. 11 lakhs and Rs. 5½ lakhs respectively. There are seven banks in Tanjore District where a total sum of about Rs. 9 lakhs has been lent. People have become familiar with the working of these banks and it is desirable that the loaning operations in these districts should be carried on by the same organisation and it seems to me a waste of effort to establish another organisation in these districts for the same purpose. It is true, there is difference in the rate of interest which may be avoided by the Government meeting the cost of the outdoor staff of the Land Mortgage

Banks. If the Government would meet the charges connected with the outdoor staff for the Land Mortgage Banks, it is possible for these banks to adopt the same rate of interest as that of the Government. If, however, the Government are not prepared to meet the charges, will it be possible that loans below Rs. 2,000 may be distributed at  $5\frac{1}{2}$  per cent by these banks? Some arrangement may be made for the money being found for these loans by the Government and handed over to the Central Land Mortgage Bank for distribution to Primary Banks. If this scheme is adopted, loans below Rs. 2,000, whether granted by the Government or by the Land Mortgage Banks, will be made at  $5\frac{1}{2}$  per cent and loans above Rs. 2,000 will carry 6 per cent interest. But, as I have said, it is possible to adopt the same rate of interest throughout if the Government will meet the charges of the investigation staff, at any rate, for the next three or four years.

The following scheme is suggested for the division of areas between the two agencies :—

(i) *Chittoor District*: No Land Mortgage Bank has yet been started in this district. Proposals are under consideration for starting a bank at Chittor and another in the Chandragiri division.

(ii) *The Ceded Districts*: There are, at present, one bank at Nandyal, one at Hospet in the Bellary District and recently another bank has been started at Rajampet in the Cuddapah District, and another in Dharmavaram in the Anantapur District. The Ceded Districts, viz, Cuddappah, Kurnool, Bellary and Anantapur are in the famine zone of this Presidency, but there are parts in these districts where Land Mortgage Banks are needed. In view of the special conditions of these districts Government may well take in hand the provision of long-term finance on easier terms than those adopted in other parts of the Presidency, both as regards interest rates and also period of repayment. The co-operative organisation in the Ceded Districts is perhaps the weakest part of the co-operative movement. From experience already gained, it is clear that the human element for the successful running of all grades of co-operative organisations is weaker than in the rest of the Presidency. The working of the Central Banks and credit societies is very much more unsatisfactory than in other parts of the Presidency and we cannot rely wholly on co-operative organisations for meeting the legitimate needs of agriculturists. For this reason it will be more satisfactory if a Government agency undertakes this task. On account of the frequent failure

of rains the ryots are not in a position to regularly pay the annual instalments. Even if the loans are granted for 30 years, the Government will be in a better position than any co-operative organisation to suspend the payment of the instalments and to show due consideration to the needs of the ryots. On these two grounds I think that whatever money is available for the purpose under the present scheme may first be devoted to meet the needs of the ryots of these districts.

Then there are other dry areas in the other districts. At the time when Central Land Mortgage Bank was established, we were instructed by the Government that we should first start banks in the wet areas. The reason for this is that the ryots in the wet areas are likely to be more certain of a crop every year so that there may be no failure on their part in paying their instalments to the bank. The primary banks were, therefore, not started in the dry taluks of several districts till further experience has been gained. Moreover, the ryots in the dry taluks do not require such heavy sums by way of loans as the ryots in the two taluks. Banks have not been started in non-deltaic portions of the Vizagapatam, East Godavari, West Godavari and Kistna Districts and also in taluks like Pattukottai in the Tanjore District. Similarly banks have not been started in some dry taluks of the Chingleput and in the Central Districts like the South Arcot and North Arcot. Government's effort in providing long term credit may first be directed to these areas. Even in these areas it is easier for the Government to suspend, if necessary, the payment of instalments than for the Central Land Mortgage Bank to do so. In the latter case the bank has to meet its obligations to debenture-holders regularly.

(iii) *Madura, Ramnad and Tinnevely Districts*: The ryots of the Periyar Delta in the Madura district and under the Tamiraparani valley in the Tinnevely district have not been adequately financed by the Land Mortgage Banks. There are, at present, only three banks in the Madura district, two banks in the Tinnevely district and two banks in the Ramnad district. These areas have to be developed fully and the influence of the Kalladaikurichi money lenders referred to in the report of the Provincial Banking Enquiry Committee in these districts has to be combated. This may be done by the Government agency.

(iv) No banks have yet been started in Malabar and South Kanara. The question of starting banks in these two districts has been under consideration for some time and the difficulties arising from land tenures and the personal laws have been explored. I think it is possible

to get over these difficulties by legislative protection to the Land Mortgage Banks which will be shortly submitted to the Government. Of these two districts, the Malabar district is a very rich country where, I understand, there is need for long-term loans. If the Government confine their operations to the districts above mentioned and the Central Land Mortgage Bank operates in the rest of the presidency, it will avoid not only duplication of work but also ideas of conflicting interest. But I suggest that Government's operations should first be confined to the districts above mentioned in which Land Mortgage Banks have not yet been either established or are just being established.

If Government, however, desire to start operations also in the districts in which Land Mortgage Banks have already been established, it is perhaps desirable that whatever funds are available may be disbursed through these banks instead of starting another agency for this purpose. Government may assist the banks by additional staff, by purchase of debentures and by asking the banks to adopt the same rate of interest agreed upon between the Government and the Central Land Mortgage Bank.

From the statement made by Sir Charles Souter in the Legislative Council, Government's intentions in regard to debt redemption are not quite clear. What is the amount that will be spared for the purpose? Do the Government intend to carry on these operations in future years? In a consideration of the problem of agricultural debt, these questions are very relevant. So far as the Central Land Mortgage Bank and its affiliated organisations are concerned, they are a permanent feature of the agricultural credit of the province and any measure that is set up for this purpose should be on a permanent basis and should be continuously pursued. Any temporary effort now being made by the Government to supplement the efforts of these banks should not disturb their continuous development. I was, therefore, surprised to learn that the Government, contrary to the assurances given at the conference held at the Secretariat, propose stopping the organisation of new banks and the recruitment of the necessary staff for new banks for 1936-37. This question requires reconsideration on broad lines of policy. There have been complaints that the establishment of primary banks has been far too slow and even if the Government grant loans up to Rs. 2,000 the needs of the borrowers for loans of Rs. 2,000 and more up to Rs. 10,000 have to be met by the establishment of Land Mortgage Banks. Moreover, there is the question of the establishment of Debt Conciliation Boards. I do not know to what extent the policy of debt conciliation boards will be pursued. But it is clear that wherever there are debt conciliation boards, there must be supplementary machinery for providing credit for clearing the debts as settled by these boards. On this ground also there should be no break in the continuous development of Land Mortgage Banks throughout the Presidency.



## The Madras Debt Conciliation Bill

BY DEWAN BAHADUR T. A. RAMALINGAM CHETTIAR, B.A., B.L., M.L.C.

The Bill was passed by the Legislative Council after a long delay of nearly three years. The Government was opposed to it from the very beginning and they denied all facilities for the Bill. Even after the present Law Member assumed office, the Government was obstructing. It is an open secret known to the members of the Legislative Council that the Government wanted to oppose even the reference of the Bill to a Select Committee, and it was only the attitude of some of the members of the Justice Party that made the Government remain more or less neutral at that stage. Then the device of appointing a Special Officer was resorted to. His report made it impossible for the Government to continue their opposition to the Bill. The facts he mentioned were too strong and too pressing even for the Madras Government. So I was amused to find that one of the Madras dailies adopted the remark of the Hon. the Law Member in the Legislative Council that I was not graceful in accepting the help rendered by the Government.

Another point I stressed in the Legislative Council does not seem to have attracted as much attention as it should. The Bill was introduced by me at a time when the only measure of relief to agriculturists to meet the depression passed in India was the Central Provinces Debt Conciliation Bill. I also stated that I had to adopt the idea and the wording of the Central Provinces Bill, as I feared that otherwise there may be opposition from the Government and the interested parties, as my bill was a non-official bill. Since then many Local Governments and Indian States have passed measures of relief for agriculturists. I have been pressing on the Government many times both in the Council and elsewhere that the Government should undertake legislation and offer other reliefs to the ryots in this time of need. The Government has not cared to do anything except for the one relief, which I refer to later, for which we are no doubt grateful. Even in the Select Committee and in the Council I appealed to the Government to bring in a Government Bill granting agricultural relief to the ryots on the lines on which other Governments have granted relief. But there has been no response. As my bill was a non-official bill it was easy for the Government always to have the provisions attenuated so as to meet their wishes and I had to yield at every turn as otherwise even this Bill would not be passed.

## THE MADRAS DEBT CONCILIATION BILL.

### ORIGINAL BILL.

As originally framed, the Bill was for the appointment of conciliation boards before whom the procedure will be simple and informal and every matter will be adjusted by mutual consent. It was practically an idea of a standing Panchayat to help in the decision of disputes. The boards in the Central Provinces are working more or less on these lines. For this, I said in the beginning that financial backing was necessary and without it it would not be possible to relieve even a respectable number of ryots. It is to the credit of the Hon. the Revenue Member and the Hon. the Finance Member that they came to the rescue and proposed that the Government itself may help the poorer ryots, if their debts were conciliated to a figure not exceeding Rs. 1,000—now raised to Rs. 2,000. The country is indebted to the Special Officer, Mr. Sathianadhan, who reported how utterly helpless the ryots were and postulated the need for the Government undertaking responsibility, at least with reference to the poorer ryots, and to the two European Members of the Executive Council.

### 'RENT' EXCLUDED FROM 'DEBTS'.

Now coming to the changes made in the Select Committee and in the Council, the biggest change made is, as I said in the Council, the taking away rent from the category of debts—with the result that the tenants in Zamindari areas will be denied what benefit the Bill can give them. In the Zamindari areas the tenants are largely in arrears and the rent they have to pay is a considerable portion of the debt they owe. Such being the case, if there is no conciliation with reference to the rent, they cannot come for relief at all. It may also be noted that for rent the Zamindar has got a charge on the land. In the Central Provinces, it is said, that one of the difficulties felt in the working of the Debt Conciliation Boards is the fact that the mortgagee is free to pursue his remedies in the ordinary way even when some or all the other debts are conciliated and, I believe, there is a Bill before the Central Provinces Council to make the mortgagees, also amenable to the arrangements by conciliation. When it is so with reference to the mortgages, which are included in the term 'debt' in the Central Provinces Act, it may well be imagined what the result will be as regards persons in arrears of rent under the bill now passed in Madras.

### AMENDED PROCEDURE COMPLICATED AND FORMAL.

The procedure before the Board has been made complicated and formal by the amendments made, in the Select Committee and in the

Council. A schedule of debts and a schedule of assets, have to be prepared in each case. The Board is given wide powers to pass decisions as to the validity and amount of the debts. They are also given power to decide about the rights of debtors to property in the framing of the schedules. These are very complicated matters. The decisions with reference to these matters are binding on the parties and in some cases even on outsiders. By this practically a parallel procedure to the provisions of the Insolvency Acts is brought into existence by this Bill. The only difference is that under the Insolvency Acts the Official Receiver or the Official Assignee sells the property and distributes the proceeds, while here the parties themselves are asked to come to an agreement so that something may be saved for the debtor's family. There is a provision also made that the Board shall not recognise a conciliation under which more than twice the principal is given to any creditor. Also a number of matters are specified which ought to be considered by the Board when it issues a certificate stating which of the parties was responsible for the conciliation falling through. These provisions while they are unexceptional, introduce a sense of formality and legal procedure into the working of these Boards. These are the main changes in the Bill.

#### MINOR CHANGES.

There have been a few minor changes, as in the constitution of the Board whose number is restricted to three and the chairman is to be a person who holds or who has held an office not lower in rank than that of a Deputy Collector or a Subordinate Judge. Power is given to the Government to abolish Boards constituted and re-appoint them. The provisions that, during the pendency of proceedings before the Board, filing or trial of legal proceedings in courts is stayed and that the period taken by the proceedings before the Board should be excluded in the computation of time for limitation, are made clear. A period of one year is fixed for the termination of the proceedings before the Board so that if a matter is not conciliated within one year, the parties are at liberty to go to the courts for the ordinary remedies. Specific provision is made for serving notice on the affected parties on all important occasions. These provisions are necessary in what has become a judicial procedure but they are bound to cause delay and to a certain extent make it difficult for conciliation to be made.

The country has been looking forward for some immediate relief to the ryot, who, is badly burdened to support all the others. His

## THE MADRAS DEBT CONCILIATION BILL

land and his produce have gone down in value; all the same he has to pay to the Government and to the money lender the same amount as before, which really means about twice in actual value in terms of produce or land. The salaried officers of Government are if anything better off by the low prices prevailing in the country. Our province is mainly agricultural and the ryots and those who depend on them form about 80 per cent of the population. I do not think the ryots have received all the attention that we should give them, much less the reliefs they are entitled to. This Bill provides only a machinery for the creditor and the debtor to come together and to try to arrange among themselves for their mutual benefit. With the backing now promised by the Government and that available through the Land Mortgage Banks, some ryots may be saved—if they will be solvent in ordinary circumstances, and their present misfortune is due to the present depression and the want of purchasers and the low prices, and if the creditors are reasonable. More than that the Bill does not pretend to do. There is very much more to be done if the ryot has to be helped.

## BOOK-KEEPING QUESTIONS & ANSWERS.

Madras Government Technical Examinations (lower grade)

PAPERS 1924 TO 1935

(INCLUSIVE) BY

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## Co-operative Societies and Law of Limitation

By MR. M. S. NARASIMHA RAU, B.A., B.L.,

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It was for a long time assumed that the law of limitation had no application to proceedings taken by Co-operative Societies for the enforcement of contracts entered into with them by the members. On the basis of such an assumption, arbitration references used to be filed in respect of time-barred personal security bonds and mortgage deeds, and the arbitrators whether official or non-official, who disposed of these references, used to pass awards in spite of the time-barred nature of the claims. Several such awards have been executed and claims realised. It cannot be said that such an assumption was an entirely mistaken one. The law of limitation expressly relates only to suits and appeals and other proceedings in Civil Courts of Law and not to proceedings in the nature of arbitration references. Sections 3 and 14 of the Limitation Act are clear on this point. Obviously the bar of limitation cannot therefore be levelled against references submitted to arbitrators. It may also be seen that when the parties submit their disputes to arbitrators, constituting them as a sort of a domestic forum, the dispute becomes purely a domestic one, and the technical rules of procedure and of limitation cannot be regarded as applicable to them. There is therefore nothing wrong in principle in thinking that limitation cannot affect proceedings before arbitrators.

However reasonable and equitable it may be to consider that the claims before arbitrators are immune from the law of limitation, it has now been made abundantly clear by judicial pronouncements and otherwise that a submission to arbitration does not *per se* exclude the right of either party to raise the defence of the statute of limitations. If authority were needed, it is enough to refer to the case decided by the Privy Council in 66 M. L. J. page 614 (*Ramdatta Ramkishan Doss v. E. D. Sasson*) wherein their Lordships of the Privy Council in an appeal from the decision of the High Court of Calcutta, definitely laid down the principle that despite the fact that section 3 of the Limitation Act has in view only proceedings of the law courts and makes no reference to arbitration proceedings, still it is open for either party to raise every defence before an arbitrator which can be raised in a regular court of law. Quite apart from judicial authority, a reference to the Co-operative Societies

Act itself will also make it clear by implication, that the law of limitation was not intended to be excluded in respect of transactions entered into by societies. It will be seen that whereas under sections 29 and 30 of the Co-operative Societies Act, (Madras Act VI of 1932) transactions of co-operative societies are exempted from certain compulsory provisions of the Registration Act, the Stamp Act and of the Income-tax Act, there is nowhere any provision exempting such transactions from the law of limitation. The only construction that can therefore be placed is that the legislature did not intend to exempt the transactions of co-operative societies from the penal provisions of limitation. It is therefore idle for the co-operative societies to lull themselves into a false sense of security by considering that they could afford with impunity to allow claims to get time barred. The directors of societies must be made to feel that any omission on their part to prosecute their claims within the time allowed by the law of limitation, whether such omission be deliberate or negligent, would land them in the risky ground of surcharge, to which they may be made liable under section 49 of the Co-operative Societies Act.

It is a common circumstance in rural societies that several claims have been allowed to get time barred either by the negligence of the Panchayatdars in not filing references in time or by their not executing the awards in time. A reference to the inspection notes drawn up by the departmental officers on the working of several societies inspected by them amply bears out this. Supervisors and Inspectors must make it clear to the office bearers of societies that they should be very careful in this matter and must keep an ever vigilant eye. They must intimate to the office bearers that the period of limitation for filing a reference on a personal bond or executing any award is three years from the date of the bond and the date of the award respectively. The limitation for filing a reference in respect of a mortgage bond however is twelve years from the date of the bond. The supervisors may also usefully tell the office bearers that if before the expired period of limitation, an acknowledgment of liability in respect of the claim has been made in writing, signed by the party against whom the right is claimed or by some person through whom he derives liability, a fresh period of limitation shall be computed from the time when the acknowledgment was so signed. The word "signed" means "signed either personally or by an agent duly authorised." In the case of an execution application, when such an application is at any time filed, time runs for a subsequent application, from the date of disposal of the prior application, to a period of three years thereafter. An award must, under any circumstances be executed only within twelve years after the passing of the award. Thereafter, the decree-holder cannot execute it. The Supervisors and Inspectors must make it a point in their inspection to impress the above facts on the office bearers of societies.

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# Collector Not a Court: High Court Decision. IN THE HIGH COURT OF JUDICATURE AT MADRAS.

PRESENT :—MR. JUSTICE CORNISH.

Abdul Razack Sahib

... Appellant\* (Defendant).

v.

Kilpatti Co-operative Society

by President Krishna Reddi,

and another

... Respondents (Plaintiffs).

*Co-operative Societies Act (II of 1912), S. 33 (1)—Statutory rules R. 14 (5)—Decision against member by Registrar of Societies—Application for enforcement to Tahsildar—Delay more than 3 years—Fresh application to Civil Court under the rules—Whether the application is barred—Tahsildar not a Court.*

There being nothing in the Co-operative Societies Act, Rules to indicate that the Collector is to be deemed to be a Court, he is not a Court when acting under R. 14, (5) of the Statutory rules. It follows a Tahsildar deputed by the Collector to act under it is equally not a Court.

A Co-operative Society obtained a decision against a member in the Court of the Assistant Registrar of Co-operative Societies under S. 43 (1) of the Co-operative Societies Act. The decision was sent to the Tahsildar for enforcement under the statutory rules framed by the Government. The decision of the Registrar was given on 19th July, 1926. Requisition to the Tahsildar for enforcement was sent in June, 1927 and was kept by him till 23rd December, 1930, when application was made to the Civil Court for enforcement under the rules. On the question whether the second application for enforcement was out of time.

*Held*, that the application was barred as the previous application was made to the Tahsildar who could not be deemed to be a Court.

Bhagwan Das v. Suraj Prasad, (1924) I. L. R. 47 All. 217 applied.

Appeal against the Appellate Order of the Court of the Subordinate Judge of Vellore dated 21st April 1932 and made in A. S. No. 83 of 1932 (A. S. No. 177 of 1931 on the file of the District Court, North Arcot), preferred against the order of the Court of the District Munsif of Tirupattur dated 22nd June 1931 and made in R. E. P. No. 152 of 1931 (Kilpatti Co-operative Claim No. 268 of 1926 (a).

K. Rajah Aiyar and K. S. Rajagopalachari for Appellant.

V. N. Chockalinga Mudaliar for Respondents.

\*C. M. S. A. No. 184 of 1932.



The Court delivered the following

*Judgment* :—The appellant is a member of the Kilpatti Co-operative Society. The Society obtained a “decision” against him in the court of the Assistant Registrar of Co-operative Societies. This procedure took place by virtue of the rules made by Government under powers of S. 43 (1) of the Co-operative Societies Act. The decision was sent to the Tahsildar for enforcement. This was in accordance with R. 14 (5) of the statutory rules, which says:—The decision shall be enforced in either of these ways:—

(a) on a requisition to the Collector of the District or to any person authorised by him in this behalf made by the Registrar of Co-operative Societies, all sums recoverable under the decision shall be recovered in the same manner as arrears of land revenue.

(b) On application to the Civil Court, having jurisdiction over the subject-matter of the decision that Court shall enforce the decision as if it were a decree of the Court.

Admittedly, the Tahsildar was the Officer deputed to act in this behalf by the Collector. The decision of the Registrar was given on 19th July, 1926. The requisition was sent to the Tahsildar in June, 1927 and kept by him till May, 1929, when he returned it. There was then another long interval until 23rd December 1930, when application was made to the Court, that is to say, the Munsif's Court, to enforce the decision. Two points were taken in the lower Courts, and they were the principal subject of argument in this appeal. First, it was contended that the second application was misconceived, having regard to O. 21, R. 16, Civil Procedure Code. Apparently, between the date of the obtaining of the decision and the date of the filing of the second application there had been a change of Presidents of the Society, the first President having died and been succeeded in that office by another. The argument was that there had consequently been a transfer by operation of law and that therefore application to execute should have been made to the Court which passed the decision *i. e.*, the Registrar's Court. But I think that there is no substance in this point; firstly because the statutory rules give no power to the Registrar to enforce a decision and, secondly, because the proceedings were brought by the Society and in the name of the Society, acting through its President, and consequently, there was no question of the second President, whose name was transposed for that of the first President, being his legal representative.

A more substantial question raised in the appeal is whether the second application was out of time. It certainly was unless Art. 182 (5) (b) of the Limitation Act saves it. Both the lower Courts held that the bar was saved on the ground that the Tahsildar was within that provision “the proper Court for execution.”

In my opinion neither the Tahsildar, nor the Collector by whom he was authorised to act, was a Court. Reference may be made to the analogous provisions of Ss. 68 and 71 of the Civil Procedure Code which enable decrees to be transmitted to a Collector for execution. S. 71 says that in such matter the Collector shall be deemed to act judicially. But it has been held in *Bhagwan Das v. Suraj Prasad*<sup>1</sup> that this does not mean that the Collector is a Court. I follow this authority; and there being nothing in the Co-operative Societies Act rules to indicate that the Collector is to be deemed to be a Court, I hold that he is not a Court when he acts under R. 14, (5) (a). It follows that the Tahsildar is equally not a Court.

The application was therefore barred, and this appeal must be allowed with costs throughout.

*Appeal allowed.*

## REFLECTIONS ON THE DECISION.

### I

The Rule XV (7) cl. (b) of the Rules under the Madras Co-operative Societies Act is to this effect: "On a requisition to the Collector of the District or to any person authorised by him in this behalf, made by the Registrar of Co-operative Societies, all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue."

Before the Amended Act, the old rule 14 (5) (a) corresponded to the above rule. Formerly, the Registrar had no power to execute the decision or award himself. He could either send it to the Collector, or the decision could be enforced through a Civil Court. Now Rule XV (7) cl. (a) gives power to the Registrar himself to enforce the decision in the manner prescribed in Rule XXII. The powers given to the sale officer for distress, seizure, and sale of moveable property and for attachment and sale in the case of immovable property are sufficiently wide and the proceedings can be had under rule XXII without undue delay, and with the same efficacy as in the case of collection of arrears of land revenue by the Tahsildar or Collector. The Co-operative Department being a branch of the Government may also be expected to enforce the decisions or award of the Arbitrators with the same thoroughness and quickness as the Revenue Department. It therefore appears to me that this additional method of execution through the Revenue Department, provided by the Rules may be disallowed without serious detriment to the societies.

The recent decision<sup>2</sup> of Justice Cornish of the Madras High Court makes the removal of cl. (b) in Rule XV (7) an urgent necessity. His Lordship has held in this case that an application for execution to

<sup>1</sup> (1934) I. L. R. 47 All. 217.

<sup>2</sup> See pages 445 to 447.

the Revenue Department is not an application for execution to the "proper court" within the meaning of the Art. 182 (5) (b) of the Limitation Act, and the pendency of proceedings for execution in the Revenue Department will not save the bar of limitation. The Kilpatti Co-operative Society, which tried to realise an award through the Tahsildar, who returned the same after keeping it on his file for over 2 years without realising a single pie, found that it had not applied to the proper court, when its later execution petition, for enforcing that award in a Civil Court, was held to be barred by limitation.

The co-operative societies in the province may also take a lesson from this proceeding.

One cannot help feeling that sufficient care and attention have not been bestowed on the drafting of the Rules under the Co-operative Societies Act, and it is a misfortune that Rule XV (6) should debar legal practitioners from appearing in proceedings before the Registrar, especially when he has been clothed with all the powers that Civil Courts are now exercising. Want of legal training in the officers of the Co-operative Department to whom judicial powers have been given under Rule XXII is another defect that requires immediate remedy. The articles of Mr. P. K. Srinivasaragavacharya, Mr. E. S. Sunda, and of the present writer, which have been appearing in this Journal on various occasions will have shown clearly the urgent need there is for a revision of the Rules by an expert committee of Lawyers, who have had experience in the working of the Act and the Rules in relation to societies in this province.

G. SWAMINATHAN.

## II

The judgment\* of Mr. Justice Cornish sets one thinking as to what its effects would be on execution proceedings pending before the Registrar of Co-operative Societies of the Districts acting under section 28 of the Co-operative Societies Act. Following the judgment of the Allahabad High Court in LXVII Allahabad 217 His Lordship holds that neither 'the Tahsildar nor the Collector by whom he was authorised' to execute the decree was a court and that Art. 182 of the Indian Limitation Act not being applicable to such proceedings, the application under consideration was barred.

The facts of the case were as follows. On 19-7-1926 the Kilpatti Co-operative Society, North Arcot District obtained an award in the Court of the Assistant Registrar of Co-operative Societies. The decision was sent to the Tahsildar who had been authorised by the Collector, for execution. This was in June 1927. It was kept pending by the Tahsildar till May 1929 and was then returned. On 23-12-1930 an application

\* See pages 445 to 447.

## COLLECTOR NOT A COURT: HIGH COURT DECISION

was made to the District Munsiff of Thiruppathur for executing the award. Among other contentions the defaulter stated that the application was barred by limitation. The High Court upheld his contention on the ground that Art. 182 (5) of the Indian Limitation Act was inapplicable to such cases since there was no previous petition to any court within three years prior to 23-12-1930.

Under Act II of 1912 and the rules framed thereunder the Collector was authorised to execute awards obtained by registered societies. Rule XIV says "The decision or award shall be enforced in either of these

(a) On a requisition to the Collector of the District or to any person authorised by him in this behalf, made by the Registrar of Co-operative Societies, all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue.

(b) On application to the Civil Court having jurisdiction over the subject matter of the decision or award that court shall enforce the decision or award as if it were a decree of the court."

Act VI of 1932 and the rules framed thereunder make the decision or award executable by the Registrar of the District also. Section 28 says "whenever a decree or order of a Civil Court, a decision or award of the Registrar or arbitrator or an order of the Registrar or the Liquidator is obtained by a Registered society for the realisation of money the Registrar or any person subordinate to him empowered by the Registrar may—recover the amount etc."

Rule XV (7) says

"The decision or award shall be enforced in any of these ways :—

(a) On an application to the Registrar of the District, in which the cause of action arose, the decision or award shall be enforced as provided in rule XXII.

(b) On a requisition to the Collector of the District or to any person authorised by him in this behalf, made by the Registrar of Co-operative Societies, all sums recoverable under the decision or award shall be recovered in the same manner as arrears of land revenue.

(c) On application to the Civil Court having jurisdiction over the subject matter of the decision or award, the court shall enforce the decision or award as if it were a final decree of the court."

It may here be seen that beyond the introduction of the Registrar of the District as another person to execute the awards or decisions, the Legislature has not in any way materially changed the language of Rule XIV of Act II of 1912. It is also to be noted that the language of sub-rule 7 to rule XV of Act VI of 1932 does not in any way denote that a

Collector acting under the same rule is any way different from the Registrar except that with regards the proceedings to be followed by the Registrar rule XXII has to be followed.

In sections 68 to 71 of the Code of Civil Procedure, the Legislature has provided for the execution of decrees passed by civil courts through the Collector. Section 71 says that the Collector and his subordinates while executing decrees shall be deemed to be acting judicially. The procedure to be followed by the Collector in executing the decrees is laid down in Schedule III. In XLVII Allahabad 217 at 223 it is said 'The Collector is not a court executing the decree. He is nowhere mentioned as a court and the Legislature therefore found it necessary to say specifically that when a collector exercises his jurisdiction in the matter of the execution of decrees he should be deemed to be acting judicially.' This observation is relied on by the learned Judge in LXX M. L. J. 31 for holding that proceedings before the Tahsildar authorised by the Collector to execute decrees or awards obtained by registered societies do not come within the purview of Art. 182 (5) of the Indian Limitation Act, since they are not applications to a court and hence are not sufficient to save limitation.

This decision raises a question which is very important from the stand-point of every co-operative society. After the Government passed the rules relating to the execution of decrees obtained by societies through the Registrar, many decrees which were pending execution in civil courts were transferred to the file of the Registrars of the Districts. Decrees which have been obtained in civil courts, whether mortgage decrees or money decrees, have some of them been transferred to the Registrar's file and many others taken to the Registrar's without transfer, and petitions for their execution filed before him. There are many mortgage decrees in which personal remedy has not become barred. Difficulties can arise in the following cases.

i. Where after exhausting all the remedies available against the properties of the defaulters, in cases of simple money decrees there still remains money to be realised by the arrest of the defaulter and applications have to be made to the civil courts for that purpose.

ii. Where after selling the hypotheca in mortgage decrees passed by civil courts the necessity for obtaining personal decree against the defaulter arises.

iii. Where pending execution of decrees passed by civil courts the defaulter dies and his legal representatives have to be brought on record.

iv. Where after immovable properties have been purchased possession is not peacefully given to the purchaser and the remedy provided for in rule XXII (12) has to be resorted to.

Conceding for the sake of argument that the Registrar has under the Act powers to execute mortgage decrees, distinction has to be made between cases where decrees of civil courts are received by the Registrar by transfer and cases where without that formality decrees are taken directly to the Registrar for execution. The well understood principle of law with respect to the execution of decrees passed by civil courts is that laid down in section 38 of the Code. That section says,

‘A decree may be executed either by the Court which passed it, or by the court to which it is sent for execution’. An exception is made by the Rules under the Co-operative Societies Act in cases where awards are sought to be executed by societies in civil courts. It is said that they can directly be taken to the civil courts and that the civil courts shall execute them as if they are final decrees of these courts. The principle on which such a rule has been made is quite understandable. As soon as awards are given the tribunals passing them become *functus officio* and cannot be thought of as Courts that passed the decrees or awards any longer. Section 28 no doubt invests the Registrar with jurisdiction to execute decrees of civil courts for the realisation of money, but it does not expressly or by implication say that the provisions of section 38 of the Code of Civil Procedure can be set at nought even in respect of decrees passed by courts to which the Civil Procedure Code applies. This contention gains strength especially when it is considered that the rule making authority has in one portion of the rules contemplated the difficulty of executing awards without a formal transfer and has framed a rule dispensing with it. At least as far as our High Court is concerned it is well settled that unless and until a decree is transferred as per the provisions of the Civil Procedure Code, the only court competent to execute it is the court that passed it. In a Full Bench case reported in LV Madras 801, LXII M. L. J. 687, XXXV L. W. 742 this question was considered. The case there was as follows. The mortgagee obtained a final mortgage decree in the court of the District Munsiff, Melur in respect of properties part of which were situated within the jurisdiction of that court and part within the jurisdiction of the District Munsiff's Court of Madura Town. Subsequent to the passing of the decree there was a notification by the High Court rearranging the jurisdiction of the District Munsiff's Court in the District, the result of which was that the suit properties came within the jurisdiction of the District Munsiff's Court, Madura Taluk. On 27-12-1927 the mortgagee filed an execution application in the Court of the District Munsiff of Madura Taluk without applying for a transfer of the decree from the Melur Court. The Melur Court continued to exist. Their Lordships held that unless the decree was transferred the District Munsiff of Madura Taluk had no jurisdiction to execute the decree. Without further discussing the matter it can be safely said that in cases where

decrees of civil courts are without transfer being or have been executed by societies through the Registrar of the District, the proceedings before the Registrar are without jurisdiction and hence the question as to whether such proceedings can save limitation does not arise since Article 182 is applicable only in cases where proceedings are conducted by tribunals which are vested with jurisdiction. Acts without jurisdiction are mere nullities. A. I. R. 1923 Cal. 619. The want of jurisdiction can be taken cognisance of at any stage. 1921 U. B. 15 and civil courts can question the validity of such acts XLVIII M. L. J. 204.

In 1923 Calcutta the correct principle of law is enunciated at page 619 as follows : " It is an elementary principle of law that if a court had no jurisdiction over the subject matter, its judgments and orders are mere nullities, and may not only be set aside at any time by the Court in which they are rendered, but be declared void by every court in which they are presented. If a court has no jurisdiction its judgment is not merely voidable but void and it is wholly unimportant how precisely certain and technically correct its proceedings and decisions may have been ; if it had no power to hear and determine the cause, its authority is wholly usurped and its judgment and orders are the exercise of arbitrary power under the forms but without the sanction of law. These principles apply not only to original courts but also to courts of appeal. Accordingly where an appellate court does not possess jurisdiction to review the action of the Courts below, jurisdiction cannot be conferred upon it by consent of parties ; and any waiver on their part cannot make up for the lack or defect of jurisdiction. This view has been recognised by the Judicial Committee in *Ledgard vs. Bull*, IX All. 191 (P.C). and *Minakshi Naidu vs. Subrahmanya Sastry*, XI M. At page 622 (2) they say ' it is impossible for us to hold that section 21 debars the defendants from questioning the validity of the execution sale which is the root of the title of the plaintiff. When the judge has no inherent jurisdiction over the subject matter of a suit, the parties cannot by their mutual consent, convert it into a proper judicial process etc.'

Coming to cases of which the Registrar is seized by virtue of transfer, in cases of decrees passed by or awards once executed through the civil courts, and those cases where awards are being directly presented to the Registrar, it would appear that the ruling of the Madras High Court in LXX M.L.J. 31 would ignore the proceedings before the Registrar altogether in computing the period of Limitation. The only ground on which His Lordship is pleased to hold that proceedings before the Tahsildar do not save limitation is, that the Tahsildar is not a court and that Article 182 applies only when the proceedings have been before a court. The term ' Court ' has nowhere been defined by the Legislature. However in XLI L.W. 503 their Lordships Curgenven and Cornish, J. J.

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have after reviewing all the authorities on the subject laid down the definition of a 'Court'. There they say at page 511 'To summarise the effect of these decisions, it would seem that we have to look not to the source of a tribunal's authority, or to any peculiarity in the method adopted in creating it (though it is undoubtedly a consideration that it derives its powers mediately or immediately from the Crown) but the general character of its powers and activities. If it has power to regulate legal rights by the delivery of definitive judgments, and to enforce its orders by legal sanctions, and if its procedure is judicial in character, in such matters as the taking of evidence and the administration of the oath, then it is a court.' Nowhere has the Registrar been empowered to administer oaths in the course of execution proceedings or to adjudicate on the claims of parties by pronouncing definitive judgments or orders. His duties and powers are laid down in rule XXII. All that the Registrar is asked to do is to verify the correctness of the particulars in the application, prepare a demand notice in writing in duplicate in the form prescribed by the Registrar, setting forth the name of the defaulter the amount due and forward it to the sale officer. Thereafter the sale officer gets jurisdiction to proceed with the execution and even the investigation of claims (conceding it to be a judicial proceeding) is to be made only by the sale officer acting under subrule 17 (a) to rule XXII.

In XVI Allahabad 228 the question arose as to whether under section 258 corresponding to rule 2 of order XXI of the Code of Civil Procedure of 1908, payment out of court of amounts due under the decree has to be certified to the Collector to whom such decree has been transferred for execution under section 320 corresponding to sections 68, 70 and 71 of the Code of Civil Procedure 1908. At page 230 His Lordship observes, "Now, in the first clause of section 258, it is provided that when money is paid out of court in part satisfaction of a decree, the decree-holder shall certify such payment to the court 'whose duty it is to execute the decree.' The question that arises is, what is the court indicated by these last words? To ascertain this it is necessary to refer to section 320 of the Code of Civil Procedure, in as much as it was strenuously contended before me that the Collector in such a case as this, is no more than a ministerial officer of a civil court, and has no duties to perform beyond selling the property ordered for sale. Now a perusal of section 320 shows to my mind that that which is under its provisions transferred to the Collector is not the mere duty of selling the property *but the execution of the decree* ordering a sale of property. And in fact the object which the Legislature had in view in enacting section 320 and the following sections was to preserve from sale as far as possible, property which a civil court had ordered to be sold. When a civil court so transfers a decree all proceedings in execution in that court



come to an end for the time being, the whole execution having been transferred to the Collector. Such being the case, it appears to me that when once a Collector has so received a decree for execution under section 320 it becomes his 'duty' to execute that decree, and that in fact as long as the decree remains in the hands of the Collector he, and he alone can execute it." This was followed in XXXV Bombay 516 where it was held that intimation to the Collector who was in charge of the execution, amounted to due certifying, which satisfied the conditions of section 258. In XXXVII Bombay 488 at page 490 it is said 'So long as the execution of the decree is in the hands of the Collector, he alone can execute it in accordance with the rules made by the Local Government. He is not a ministerial officer charged with the duty of selling property under the directions of the court, but the whole execution of the decree is transferred to him, and the court cannot interfere or exercise any of the powers conferred on him.' It is to be noted how carefully in all these decisions their Lordships avoid calling the Collector a 'Court'. The language of order XXI, rule 2 (corresponding to section 258 of the Code of Civil Procedure) contemplates the filing of a certificate in a *Court* executing the decree and the rulings in XVI Allahabad and XXXV and XXXVII Bombay cannot easily be understood unless it were taken for granted that those learned Judges recognised that the Collector executing decrees was not a ministerial officer but a 'court' executing the decrees transferred to him. This statement gains strength from the fact that in his valuable commentaries on the Indian Limitation Act (Third Edition) Mr. Rustomji writing as to what *proper Court* is in explanation II to that article says "when a decree is transferred to the Collector for execution (Section 68 C.P.C.) he is the 'proper Court' within Article 132" and the learned author relies on the decision in XVI Allahabad for that position. It does not appear from the reported decision in 70 M. L. J. 31 as to whether His Lordship's attention was drawn to these rulings, but it is to be presumed that they were so drawn, since the decision in XLVII Allahabad relied on by His Lordship contains a discussion of all the rulings above cited. It is rather unfortunate that the framers of the Act and the rules thereunder did not think over the possible difficulties that would arise in administering the procedure laid down for the execution of the decrees obtained by the registered societies, but this is only an instance of the many defects that are to be found in the Madras Co-operative Societies Act.

Returning to the hypothetical cases contemplated above, case (a) is exactly covered by the ruling in 70 M. L. J. 31 and hence if an execution application is made to the civil court more than three years after the order on the last execution application in the civil court, the application has to be dismissed as time barred.

Coming to case (b) the answer depends on the construction of rule 6 to order XXXIV. That rule reads as follows:—‘Where the net proceeds of any sale *held under the last preceeding rule* are found insufficient to pay the amount due to the plaintiff, the court on application by him may, if the balance is legally recoverable from the defendant otherwise than out of the property sold, pass a decree for such balance. It has to be seen that as a condition precedent to the application for passing a personal decree there ought to have been a sale under order XXXIV rule 5 of the Code. It is rather difficult to say as to whether a sale held under the rules framed by the Government under the Co-operative Societies Act can be held by any stretch of imagination to be a sale held under Order XXXIV, rule 5 of the Code for the purposes of rule 6. If it can be so construed, then limitation for an application under rule 6 runs from the date on which the proceeds are found insufficient.

In case (c) if an application is made to the Civil Court for bringing on record the legal representatives of a deceased defaulter, the court may refuse to allow the application if it is filed more than 3 years from the date of the last final order on the previous execution application made to the court.

In case (d) no difficulty can arise since the civil court has for the purpose of rule XXII (12) treat the auction purchaser as the holder of a decree for possession passed by itself. If an application is made to the court within the period of limitation the court has simply to direct that the applicant should be put in possession. As observed in XIV M. L. J. 433 at 435 ‘the intention of the Legislature was to place the purchaser for the purpose of recovery of possession of the land purchased in the position of a decree-holder and that is, entitled to such remedies as are open to the decree-holder in execution proceedings’.

P. K. SRINIVASA RAGHAVA ACHARYA.

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## THE MADRAS AGRICULTURAL JOURNAL.

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MANAGER,

**The Madras Agricultural Journal,**

*Agricultural College & Research Institute,*

*Lawley Road P. O. Coimbatore.*

Correspondence.  
AMENDMENT TO SECTION 51  
(MADRAS CO-OPERATIVE SOCIETIES ACT).

SIR,

The High Court decision which appeared in the January issue of your journal is a very important pronouncement on the construction and interpretation of section 51 of 'The Madras Co-operative Societies' Act (Act VI of 1932) involving, as it does, serious consequences which vitally affect the interests of all co-operative societies in this presidency. The section deals with certain classes of disputes relating to co-operative societies and has been enacted by the Legislature with the object of providing a separate forum for the cheap and summary settlement of disputes arising in regard to the business of co-operative societies without recourse to the costly and protracted litigation of civil courts. Clauses (a) and (b) of the section refer to "Members" while clause (c) thereof refers to "Officers, Agents or servants" of the society. Directors of a co-operative society being "Officers" as defined in the preliminary portion of the Act, are governed by clause (c) of the section. The question raised in the case under review is whether past or ex-directors come within the purview of clause (c) of the section.

His Lordship Mr. Justice King, who decided the case, held that past Directors were not governed by clause (c) of section 51, relying on the absence in clause (c) of the word "past" which was specifically mentioned in clauses (a) and (b) of the section. Section 49 of the Act was also referred to by His Lordship in this connection in confirmation of his view on the ground that the words "past Officer" were specifically used in that section.

With the greatest respect to the learned Judge, I humbly venture to submit that the construction placed by His Lordship on the scope of clause (c) of section 51 is narrow and necessarily gives rise to many vexed questions in the practical working of co-operative societies.

Above all, it may be pointed out that there is a wide gulf of difference between the members and Directors of a co-operative society with regard to their respective responsibilities in relation to the society. While, no doubt, it is true, in a sense, that the members of a society are generally responsible for the proper working of the society, their responsibility, however, is limited in its scope, when compared to the special and heavy responsibility that lies on the shoulders of the Directors, in whom the entire management and administration of the society are admittedly vested. This special responsibility of Directors of co-operative societies, being too well known, every Director must be deemed

to be fully alive to the grave responsibility that attaches to all his acts done by him as Director of the society, before taking up on himself the onerous duties of his office. It is therefore but fair to presume that the legislature considered it unnecessary to repeat the word "past" in the case of Directors in clause (c) of the section, while it took care to make specific mention of it in the case of members in clauses (a) and (b) of the section, clearly implying thereby that all Directors past as well as present were, from the very nature of their office and the special incidents attaching to all their official acts, *a fortiori* equally liable.

Section 49 of the Act referred to by His Lordship, no doubt, contains the word "past officers", but does not help us in any way as that section, in terms, refers only to specific cases of fraudulent misappropriation and breach of trust on the part of Directors and the mention of the word "past" in that section cannot therefore serve as a guide to the interpretation of section 51 - a section totally different in its scope and application. His Lordship himself feels the difficulty, for, he says, in the latter part of his judgment as follows:—

"*Prima facie* I would have been inclined to hold that clause (c) would apply were it not for the fact that in sections 51 and 49 specific reference is made to (past members and) past Officer."

The view of His Lordship, if followed, will lead to a curious anomaly in the present case under review, namely, the case against the five ex-directors (out of six Directors) will have to go before the Civil Court while the case against the one remaining present Director will have to be decided by the Registrar under section 51 of the Act, with the undesirable possibility of a conflict of decisions, between two different tribunals on the same point. Besides, the one advantage of arbitration under section 51 of the Act—the cheap and summary settlement of disputes relating to the business of co-operative societies—will be denied to all co-operative societies which will certainly find it impossible to bear the heavy burden of a costly and prolonged litigation in Civil Courts. Further, consequent on the adoption of His Lordship's view there will be very serious troubles created in the internal administration of societies, for, nothing would be easier for a dishonest Director, who apprehends the slightest trouble in the society with regard to his management of the society, than to immediately resign his office, successfully evade the speedy trial of the arbitration Court, effectively drive the society to the Civil Court with all the heavy expense and long delay attendant upon it and thus put the society to unnecessary and unwarranted loss.

In view of the several considerations above set forth it is respectfully submitted that it is highly desirable that the Legislature should make clause (c) of section 51 of the Act quite clear by inserting word "past" before the words "Officer, agent or servants of the society" in clause (c) of section 51 of the Act at an early date and thereby remove all possible conflict of views with regard to the construction and interpretation of the section.

V. KRISHNA MOHAN.

## Co-operation Abroad.

By S. S. A.

"Business efficiency in consumers societies" forms a topic of interest in the *Digest of the Co-operative Press*. We commend the following remarks appearing in it, culled from a Swedish Journal, to those who work on behalf of the consumers movement in this country :—"In the Co-operative Movement, costs are not simply the responsibility of those who are professionally employed in it. The members are the owners of the Society, and, like all owners of businesses, must see that it is efficiently managed. It is the members who have the decisive voice in the affairs of the Society, and they themselves, either directly or through their deputies, must supervise its activities effectively."

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*The Digest of the Co-operative Press* (1-1-1936), issued by the International Co-operative Alliance, gives prominence to views and news respecting peace of the world, which is at stake on account of the ambition of nations, and the means of preventing war and enforcing peace. Mr. H. J. May, its Editor, has rightly written :—"In the present crisis of civilisation the Co operators of the world cannot remain passive onlookers. Collectively they constitute the greatest existing potential force for securing Universal Peace. The International Co-operative Alliance, the unique organisation of consumers, making its appeal to every section of the community and, therefore, to the whole, bases itself upon Peace as the elemental condition of its development as it is the highest expression of its ideals. The idea of association and the spirit of solidarity have more complete and genuine expression in our Co-operative League of Nations than in any other world organisation of an economic, social or political order."

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There is much aptness and wisdom from the co-operators' stand point in the following recipe offered by *The Co-operative Builder*, the Common organ of the Co-operative Institutions of the Northern States of the United States of America, in one of its recent issues :

"What can Co-operators do to prevent wars ?

*First*, they can protest, exerting their united moral force against war.

*Second*, they can educate concerning the causes of wars.

*Third*, they can adopt Gandhi's policy of 'non-co-operation', refusing to allow themselves and their co-operative machinery to be used by warring governments.

*Fourth*, they can work most effectively against war by extending as rapidly as possible, co-operative ownership and control throughout the

economic world, for only as *the competitive quest for profits is displaced by co-operation for abundance*, will wars permanently cease."

We commend these views to co-operators all over the world.

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Mr. R. A. Palmer, General Secretary of the Co-operative Union, has contributed a thought-provoking article in the New year Number of the *Co-operative News* on the immediate problems confronting the British Co-operators. After referring to the splendid increase in the total sales of the movement in 1935, he wants co-operators not to lull themselves into complacency with their position. Increase in membership and increase in volume of trade are no doubt satisfactory, but compared with ten years ago, the average trade per member in grocery has fallen. Writes Mr. Palmer, "We can no longer afford to have some thousands of co-operators left without a co-operative milk service, a laundry service, without co-operative supplies of meat and other commodities simply because the existing co-operative organisation operating in their area is for some reason or other unable or unwilling to meet those needs." We share in full Mr. Palmer's views expressed in the following terms:—"The Co-operative movement can and will undoubtedly by the development of its activities bring in a system of ordered production and distribution but the co-operative movement has got to show that it will produce that orderly state within a reasonably short period of years."

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The X'mas and New Year numbers of the *Co-operative News* give prominence to the campaign on behalf of the Ten Year Plan of Consolidation and Expansion of the Co-operative Movement in Great Britain. The outstanding events since the campaign started in 1934, which is to be completed in 1944, the Centenary of the effort of the Rochdale Pioneers, are said to be four in number:—(1) the entry into new fields of co-operative production; the adoption of the Ten Year Plan; the launch of the great "Press Power" bid; and the revival of the Co-operative Party at a General Election not otherwise satisfactory from a co-operative standpoint. The great importance the leaders of the Movement attach to the Ten Year Plan is evident from the following comments:—"We believe with the pioneers that production is the acid test of co-operative advance. We believe with the moderns that planning is essential to any advance in the complex twentieth century world. Every co-operative society contains the essence of a planned economy in miniature. Wholesale co-operation is the nucleus of planned economy for the nation. Co-operative principle connotes planning. The Ten Year Plan will give co-operative principle its scientific clothing, will give it a concrete goal, or a series of goals, and will establish tests by which its progress can be measured."

## News and Notes.

We regret that in the list of candidates who failed at the peripatetic institutes' examination, published on page 415 of the February issue of this journal a misprint should have occurred. Please read register number 27 for 24.

We are informed by the Registrar of Co-operative Societies, Punjab, N. W. F. Provinces and Delhi, that the title conferred on Mr. Sultan Muhmud, Assistant Registrar, Co-operative Societies, Peshawar, is 'Khan Sahib' and not 'Sardar Sahib'. Somehow the newspapers in Madras published only the list of Sardar Sahibs. No mention was made of Khan Sahibs. We were ourselves surprised at it. It now appears to be merely a printer's omission.

A Debt Conciliation Bill, on the lines of the recently passed Madras Bill, has been introduced in the Cochin Legislative Council. A Select Committee has been appointed which is expected to submit its report within a period of two months.

A society called the 'Madras District Co-operative Labour Society' was registered in January last with the main object of finding employment for its members by obtaining contracts from the Government and private bodies. It was inaugurated on 11-1-1936 by Mr. M. Giriappa, Joint Registrar of Co-operative Societies, who explained to those present the aims and objects of the society. We wish the society every success.

Dr. B. K. Narayana Rao, Principal of the University Medical School, Bangalore, in the course of his report on the working of the school, presented on the occasion of the celebration of the 18th 'School Day,' stressed the necessity of medical people contributing their mite to the success of any scheme of rural reconstruction, as the rural areas afforded them opportunities to practise their profession.

When the Development Minister was reported recently in the *Hindu* to have said at Vizagapatam that as soon as the Central Institute for training was opened the six mofussil institutes had become 'very pathetic ones,' we sat up and admired him for adopting the non-official view with a considerable improvement in expression. Later, however, it dawned on us that while the Minister said 'peripatetic' the reporter took it down as 'very pathetic'.

On the recommendation of the Registrar of Co-operative Societies, Madras, the Government have decided to reduce the scale of audit fees by  $12\frac{1}{2}$  per cent giving power to the Registrar to grant remission not exceeding another  $2\frac{1}{2}$  per cent at his discretion in deserving cases. The new scale of fees will be given effect to from the co-operative year 1935-36.

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Having examined the working of the scheme under the Agricultural Loans Act in Chingleput and East Godavari Districts, the Government of Madras have passed orders raising the maximum limit of the property of the applicants for loans from Rs. 3,000 to Rs. 5,000, but the maximum amount of liability is retained at Rs. 2,000. Another important alteration is that loans will be granted in future up to only two-fifths of the value of the mortgaged property and not up to two-thirds of its value.

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A meeting of the citizens of Madras was held on the 10th February at the Gokhale Hall to record their sense of sorrow at the death of Mr. V. C. Rangaswami, Secretary of the Madras Provincial Co-operative Bank. Sir P. S. Sivaswami Aiyar occupied the chair. Mr. V. Ramadas Pantulu suggested the desirability of instituting a scholarship available for students taking a Diploma in Co-operation or Banking and he was sure that the Bank would contribute as much as possible for such a memorial. An influential committee was formed to collect funds and arrange for the memorial.

On the 21st January last, Mr. T. Austin, Registrar of Co-operative Societies, performed the inaugural ceremony of a co-operative society named after him at Kommapalli, a suburb of Berhampore in Ganjam District. This society is intended for the Dandasis, a criminal tribe of Ganjam. Nearly 1,500 Dandasis from several parts of the district were present on the occasion. Mr. Sarat Chendra Mahapatro explained to the Dandasis that the main purpose of the society was to promote thrift among the members and to educate their children. Mr. O. E. Windle, Deputy Inspector General of Police, who was present on the occasion, assured the meeting that the society would receive all possible help from the Police Department.

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One is gratified to learn from the annual administration report of the Veterinary Department, Madras, for 1934-35, that mortality from disease has steadily decreased during the last three years, the reported cases being 40,196 in 1932-33, 31,744 in 1933-34 and 26,733 in 1934-35. This decrease is largely the result of the greater control of rinderpest by means of inoculation. Three years ago rinderpest accounted for about 50 per cent of the deaths but in 1934-35 its incidence was only 12 per cent.



There was a large increase in the number of castrations performed by the Burdizzo method which is reported to be getting more and more popular with the ryots. The Government in their review of the report note with satisfaction that the services of the department are in steadily increasing demand, though we should think that owing to the ryots' ignorance it is not as great as it should be.

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The Directors of the Madras District Co-operative Central Bank report that in 1934-35 the Bank continued its work of supervision and rectification of depressed classes societies although the Department took over the supervision of these societies and withdrew the two Inspectors whom it had lent to the Bank. The Bank issued loans amounting to Rs. 4'19 lakhs to the societies and recovered from them Rs. 4'25 lakhs. The overdues under principal and interest amounted to 20 and 4 per cent. respectively. One unfortunate incident that affected the Bank during the year was the huge fraud perpetrated by the secretary of the Workers Co-operative Bank. On the discovery of the fraud, the management of the society was taken over by the Department and later its registration was cancelled. The society owed to the Bank more than Rs. 30,000 at the time its management was superseded and at the time of the publication of its report about Rs. 12,000 had been recovered. The Bank earned a net profit of Rs. 11,695—the highest in its history so far—but out of it Rs. 6,600 has been set apart by the Registrar to reserve for bad debts.

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The Prakasapuram Co-operative Bank is a rural society with limited liability in Tinnevely District. It is indeed a model for other societies to copy. According to its eighth annual report for the year ending 30th June 1935, it had a membership of 360 and a share capital of Rs. 8,111 at the end of the year as against 302 members and Rs. 8,310 respectively at the beginning of the year. The deposits held by the society at the end of the year amounted to about Rs. 24,300, which formed about 73 per cent of the working capital. The loans issued to members during the year under report amounted to Rs. 21,600 against only Rs. 11,320 in the previous year. The percentage of overdues under principal and interest were 1'8 and '65 respectively as against 4'3 and '12 in the previous year. The net divisible profit was Rs. 1,651-8-0 compared with Rs. 1,569-3-0 in the previous year. It continued to be placed in 'A' class. It is a limited liability society because the majority of its members are traders. It is obviously one of the most efficient societies in the province, fulfilling its objects very well.

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The Nagpur Co-operative Society is the registered name of what is really the co-operative store of the South Indian residents of Nagpur. It was started in June 1932 with 60 members and had 209 members on

30-6-1935. The value of its sales rose during these three years from about Rs. 18,000 to about Rs. 21,600. The stock on hand at the end of the co-operative year 1934-35 was valued at Rs. 5,300 odd, while it was only about Rs. 3,600 at the beginning of the year. This increase is not explained. The stock at the end of the year appears to be excessive compared with the monthly sales of the society. In 1935 it adopted rules for running chit funds. The Triplicane Urban Co-operative Society, after much experience of chit funds thought it advisable to close down not only the chit funds but the whole of the credit department. It would perhaps be advisable for the Nagpur Society to do likewise—organising, if necessary, a separate credit society unconnected with the stores.

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But where does all this co-operative activity lead? What is the goal for which co-operators are aiming? Is it merely a more efficient economic system? It is that; but it is something more. Is it a more satisfying economic system because it is more moral and because it solves most of the present-day problems of industry and commerce? It is that; but it is something more, for Co-operation has other aims than economic ones. The earnest co-operator seeks to apply co-operative methods to all purposes of social life, and does so because he believes that in working with others for the common good, man's highest qualities are enlisted and developed; and in the employment and development of these qualities the man himself becomes a better man, and the quality of the human race is improved.—F. Hall and W. P. Watkins, in *Co-operation: A Survey of the History of the Co-operative Movement*.

(*Co-operation & Markets News*.)

\* \* \*

The *Co-operative Educator*, published by the Co-operative Union, Manchester, gives the following as the objects of a Co-operative College.

“To complete the scheme of Co-operative Education by providing a centre for higher education in the specialised subjects required for the full equipment of the co-operator and the further development of efficiency in the Co-operative Movement.

To provide a centre for the cultivation of the co-operative spirit, the generation of enthusiasm for the application of co-operative principles, and the inspiring of students for service in the cause of Co-operation; to assist in all possible ways in the diffusion of a knowledge of co-operative principles and practice and the cultivation of a healthy co-operative opinion; and to co-operate with, and help, all existing organisations having these objects.

To undertake investigations and research that are calculated to aid the general development and progress of Co-operation, and stimulate the application of co-operative principles in the solution of social problems.”

Does Co-operation improve the people? Mr. V. Totomianz answers the question in a recent issue of the 'Bombay Co-operative Quarterly' from which the following paragraph is taken :

For example, in the villages of Finland, at least before the War, the doors of the houses were never locked ; the passengers in the tramways dropped themselves the money due for their fare in special boxes ; in the villages the milk destined for the co-operative creameries was put outside and left at the door-step ; in the towns the lost objects were left at the same place for a long time, in the public gardens the people left their coats and bags and went for long walks to return to the places, occupied by their things. There is an anecdote about the honesty of the Finnish people. Not long before the War a foreigner left his purse in the buffet of a railway station. When, after the war, he returned to Finland, he found his long ago forgotten purse in the same place in the buffet, but with more money inside, as the percentage, due for many years, was added to it.

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Mr. B. C. Burt, Expert Adviser, (Now Vice-president) Imperial Council of Agricultural Research, recently gave some striking figures and facts to show what cane-breeding has done for the sugar industry in India. "In 1910 the best material available to a sugar factory in Northern India was a thinnish cane containing when ripe about nine to nine and half per cent. of sugar on cane, yielding only ten tons or so per acre on the average, unsuitable for intensive cultivation and only fit for crushing for about 70 days in the season. Now a group of canes is available covering the period November to April, yielding commonly 25 tons per acre and up to 35 tons with good cultivation, with a sugar content on cane of  $11\frac{1}{2}$  per cent. to 12 per cent. These are all hardy canes suitable for village conditions with the hard rind necessary to render them unattractive to jackals, wild pigs and other enemies, and resistant to mosaic disease. When the Indian Sugar Committee reported in 1919, good factories were getting a recovery of six and a half per cent ; now the general figure for the United Provinces and Bihar is over nine per cent, mainly due to better raw material. The average normal yield of *gur* per acre in the United Provinces in 1919-20 was 2,600 lb. per acre ; in 1934-35 it was 3,900 lb. on the 1,560,000 acres planted with improved canes. Wherever Coimbatore canes are properly grown in the irrigated tracts of Northern India, a yield of 30 tons of cane, giving two and three-quarter tons of sugar per acre is now expected."

# LIST OF SOCIETIES REGISTERED AND CANCELLED

## List of Societies Registered in January 1936.

S. No.	Name of Society.	District.
1	Srivilliputtur Taluk Co-op. Land Mortgage Bank.	Ramnad.
2	The Kalathur Co-op. Credit Society	North Arcot.
3	Kondapalli Toy Manufacturers' Co-op. Purchase and Sale Society.	Kistna.
4	Nandanar Students Co-op. Stores, Masulipatam.	
5	The Austin Berhampur Dandasees Co-op. Better Living Society.	Gaujam.
6	The Alamuru Co-op. Crop Loan and Sales Society, Alamuru.	East Godavari.
7	The Ramachandrapuram Co-op. Crop Loan and Sale Society.	
8	The Nellore Co-op. Stores, Ltd.	Nellore.
9	Keeramangalam Co-op. Society	Trichinopoly.
10	The Muhammad Bandhar Co-op. Better Living Society.	Tanjore.
11	The Veeramanga Co-op. Better Living Society, Allipore, Vizag Town.	Vizagapatam.
12	Sri Venugopala Co-op. Better Living Society, Resabupalem, Vizag Town.	"
13	Srikrishna Co-op. Better Living Society, Peda, Waltair.	"
14	The Lakshmi Co-op. Better Living Society, Maddilapalem, Vizag Town.	"
15	The Sri Anjaneya Co-op. Better Living Society, Dondaparti, Vizag Town.	"
16	The Sri Radha Krishna Co-op. Better Living Society, Nakkavanipalem, Vizag Town.	"
17	Ulundurpet Co-op. Crop Loan and Sale Society.	South Arcot

## List of Societies cancelled in January 1936.

Name of the Society.	District.	Date of Cancellation
Tiruvannmiyur C. S.	Chingleput	3-1-36.
Koderu Agricultural Society	West Godavari	4-1-36.
Gopinenipalem C. S.	Kistna District.	5-1-36.
Sahasrapadmapuram C. S.	Chittoor	"
Kandithampatti Sydambalpuram Co-op. Labour Society, Ltd.	Tanjore	8-1-36.
Athikulampatti C. S.	Ramnad	"
Sahadevanpettai C. S.	South Arcot	"
Chokkacherla Panchama C. S.	Nellore	"
Dhanushkodi Public Servants Co-operative Stores, Ltd.	Ramnad	"

Name of the Society.	District.	Date of Cancellation
Odaikarai C. M. S. C. S.	... Tinnevely	... 8-1-36.
Tummagunta C. S.	... Nellore	... 9-1-36.
Lakshmipuram C. S.	... "	... "
Pantapalem C. S.	... "	... 10-1-36.
Kanamandur C. S.	... North Arcot	... "
Chinacherukur C. S.	... Nellore	... "
Nekunampet C. S.	... "	... 11-1-36.
Vavilla C. S.	... "	... "
Chundi C. S.	... "	... "
Basavayapalem C. S.	... "	... "
Rajapalaiyam L. M. B. Ltd.	... Madura	} Amalgamated into Sri villiputhur L. M. B.
Watrap L. M. B. Ltd.	... "	
Mayoornathapuram	... Ramnad	... 27-1-36:
Mottoor C. S.	... North Arcot	— 29-1-36.
Subbayagudem C. S.	... Kistna	... "
Sirekolam C. S.	... Anantapur	... 31-1-36.

## The Erode Co-operative House Mortgage Bank, Limited.

(Formerly The Erode Co-operative Building Society, Ltd.)

(Estd. 1924.)

The place for safe investment of Long Term Funds—  
Secured by First Class First Mortgage outstandings and  
Assets of the Bank—of special advantage and convenience  
to Government officials and employees.

**Fixed Deposits for 10 years at  $5\frac{1}{2}\%$  per annum required.**

**Interest payable half-yearly.**

*Particulars from the Secretary,*

E. S. GANAPATI AIYAR, B.A., B.L.,

*President.*

## Registrar's Circulars.

F. 8520/35.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES  
*Madras, Dated 18th January 1936.*

M.R.Ry. M. GIRIAPPA AVL., B.A.,  
*Joint Registrar of Co-operative Societies.*

### MEMORANDUM.

*Sub* :—Arbitration—Levy of fees for certain disputes—filed under section 51 of the Madras Co-operative Societies Act VI of 1932—fees abolished.

*Ref* :—Registrar's proceedings 5399-33 dated 23-6-34.

The proceedings of the Registrar quoted above, prescribing under Rule XV (5) of the Rules framed under the Madras Co-operative Societies Act VI of 1932 fees for certain classes of disputes filed under section 51 of the Madras Co-operative Societies Act are hereby cancelled.

(By Order)

K. A. PADMANABHAN,  
*Manager.*

B. 692 36.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 26th January 1936.*

T. AUSTIN ESQ., I.C.S.,  
*Registrar of Co-operative Societies.*

*Sub* :—Loans—Loans for payment of kist—arrangements.

*Read* :—Registrar's circular A. 1644/27 dated 29-4-27.

In the Registrar's circular quoted, the advantages of the utilisation of co-operative loans for payment of kists were emphasised and the Deputy Registrars were requested to popularise the use of co-operative loans in consultation with the officers of the Revenue Department. This system of loans was successfully adopted by some societies in the Kaikalur taluk of the Kistna District and in the Conjeevaram taluk of Chingleput district. The Registrar hopes that if the scheme, if well planned, will be a success in other districts also.

II. The kist season has already begun. The members of agricultural societies stand in need of help during the kist season to enable them to hold up their produce for a better market. Societies may arrange for the payment of kists on behalf of their members and the following procedure may be adopted.

PROCEDURE.

(1) The office-bearers of co-operative societies will send a list of their members to the village officers.

(2) The village officers should furnish the society with information in the following form.

Member—Pattadars.		Survey No.	Extent.	Kist.	Water Local rate cesses.	Total.	Remarks.
No.	Name of present enjoyer.						

The panchayat should consult their member pattadars in regard to its correctness if they consider it necessary to do so.

(3) On receipt of this information the society should get necessary bonds from its members, preferably with pledge of grain undertaking to repay at the time when the crops are sold and debit the amount against the individuals. The society will pay direct to the village headman the total amount of kist payable by member pattadars including enjoyers as per list accompanying the remittance obtaining separate receipts for each pattadar for delivery as vouchers to the individuals concerned.

(4) In all cases where the societies undertake to pay the kist of their members the village officers will in the first place approach the president of the societies for collection.

(5) After jamabandi the village officers will also bring to the notice of the President the variations, if any, in the amount of kist and the president will make necessary arrangements to pay the balance if any.

(6) For purposes of paying these kists promptly the societies which have enough borrowing power should send their loan application to central banks and the latter will dispose of them quickly and make the amounts available to ryots in time.

(7) It is not necessary to include 'penalties' in this scheme. Apart from the trouble involved in collecting a number of small variable items, for which the demand is made as occasion arises, from the co-operative societies there is the point that the land encroachment Act requires service of a notice on the encroacher. It cannot be served on the society.

III. The Registrar trusts that a very earnest attempt will be made this year to introduce this system and that the officers of the Department, the District Co-operative Central Banks and the Local Co-operative Supervising Unions will do their best to popularise it. Such help as is necessary from the officers of the Revenue Department may also be obtained.

IV. The Deputy Registrars and Sub-Deputy Registrars in independent charge should submit a report in the following form early in

# REGISTRAR'S CIRCULAR

July 1936 to show how far societies have adopted the system and with what success.

No. and name of society which adopted the system of kist loans.	No. of members who took kist loans.	No. and amount of loans disbursed for direct payment of kist.	Remarks.
(1)	(2)	(3)	(4)

(By Order),

K. A. PADMANABHAN,

*Manager.*

D. Dis. B. 681/36.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 10th February 1936.*

T. AUSTIN ESQ., I.C.S.,

*Registrar of Co-operative Societies.*

CIRCULAR.

*Sub*:—Audit—Balance sheets—putting up on notice boards—Instructions—issued.

*Ref*:—Registrar's circular D. Dis. B. 7268 '35 dated 19—12—35.

In the circular quoted, the Registrar prescribed the methods for publication of the audit certificates and other statements as required in rule VII of the rules framed under the Madras Co-operative Societies Act VI of 1932. The Government consider that every co-operative society should be required to publish its audited balance sheets by exhibiting them on the notice board in the society's premises. In addition to the reading of the audit report the summary of defects and the audit certificate at general meetings as ordered already, the societies should put up a copy of their audit certificate with audited balance sheets on their notice boards. The Deputy Registrars and Sub-Deputy Registrars in independent charge are requested to instruct societies accordingly and see that the instructions are carried out.

(By Order).

K. A. PADMANABHAN,

*Manager.*



## Extracts.

### SOME STRAY IMPRESSIONS OF CO-OPERATION IN MADRAS.

BY VAIKUNTH L. MEHTA.

Despite the note of pessimism struck by Mr. V. Ramadas Pantulu in his welcome address at the Madras Provincial Co-operative Conference the impression that I carried of the Co-operative movement in Madras—admittedly after a brief contact with it—was that it was full of vigour and life despite the handicaps, internal as well as external, under which it was labouring. It was over six years and a half since I last visited the province and these years had witnessed the crippling of the agriculturists' resources to an extent unknown before. Many agricultural credit societies have gone under during these times of stress and strain, but a majority have not only survived but are refunctioning normally and a number of them have so improved their position as to be able to afford tangible relief to their members. That rural co-operators should demand that the rate of interest on loans to members should be reduced to six per cent is by no means surprising nor is it in itself an indication of financial strength. That both the Joint Registrar of Co-operative Societies and the President of the Provincial Bank not only admit the justification of the demand but accept and recommend it as financially sound is, however, one of the healthiest signs that I can think of the credit movement in any province as possessing.

It is now ten years since Primary Land Mortgage Banks were started in Madras, about some time after a similar experiment was inaugurated in the Punjab. The experiment in the Punjab had all the fostering care that a benevolent Co-operative Department could bestow on it. But no one now hears of the experiment in the Punjab while the co-operators in Madras who stood on their own legs at the start have fought their way inch by inch to success and have even compelled the citadel of the Government of India to capitulate. They evolved four years ago a well considered policy of development under the aegis of a Central Land Mortgage Bank, and thanks to the grit, tenacity, adherence to principles and far-sightedness displayed by Sir M. Ramachandra Rao, to whom were entrusted the destinies of this new institution, the Madras Central Land Mortgage Bank and the organization it has brought into being represent one of the most stable, well-knit and efficient constituent units on the co-operative movement in any province in India. Undoubtedly, the Government of Madras have been helpful, but their aid has not been bought at the cost of any sacrifice of autonomy. The right to have the final voice in the granting of loans and the issue of debentures, insistence on efficiency of administration, caution in the assessment of repaying capacity and the valuation of lands, rigidity in the scrutiny of titles and legal rights, these and other safeguards have all contributed to the strength of the organization. And it is these important features, rather than arguments, that have won for the Bank privileges from the State, legislative and administrative, which have enhanced its credit and have imparted strength and stability to the whole structure of Land Mortgage Credit.

The third striking feature is the popularity of consumers' Co-operation in South India, and especially in the city of Madras. The success

of the Triplicane Urban Co-operative Society, Ltd., has had a wonderful influence in inducing South Indians wherever they happen to settle down in large numbers to set up a co-operative store of their own, on a majority of occasions with a very considerable measure of success. This was the first time I came across the T. U. C. S. Bulletin which is now running its seventh volume. This Bulletin, in addition to reports of meetings, statements of sales and other information about the administration of the society, also contains editorial notes. One of these notes deals with the new emblem of a banyan tree adopted by the Society. The banyan tree replaces the "handshake" till now in vogue, and it is symbolical of the aims of the organisation which are to give shelter to all and to extend its scope by throwing out branches which quickly take root in the soil.

Two institutions in the suburbs of Madras, the Nungambakkam Consumers' Co-operative League and the Mambalam Co-operators' League and Buying Club, with the work of which I was privileged to secure a passing acquaintance, will indicate the directions in which the activities of the Triplicane Urban Society are likely to branch out in future. The two leagues consist as members of persons most of whom are members of the parent society who patronize its local branch but who wish to make the branch an autonomous body directly controlled by the local members. These individuals are thoroughly loyal in their dealings with the Triplicane Society, but make through their local buying club joint purchases, against payment, of such articles as are not sold by the Triplicane Urban Co-operative Society. The leagues have a unique constitution indeed inasmuch as they have no money subscriptions, no finance, no rules, no bye-laws, no office-bearers, no committees of management and no elections. They possess nevertheless a body of members thoroughly imbued with the spirit of co-operation. These members book their orders regularly, take delivery as settled, are prompt in their payments and regular in their attendance at the periodical meetings where the members gather together to exchange views on some topic of common interest or to listen to some address by distinguished co-operators or decide about their future lines of work. Refreshments are provided by the members by turns for this periodical meeting, but no expenses are incurred on behalf of the leagues. The sales in one of the leagues amounted in a year to Rs. 2,668 and in the other to Rs. 403. The principal articles dealt in were charcoal, firewood, vegetables, butter, school requisites and milk for which special arrangements for a regular supply both in the mornings and evenings have been made.

Another institution that had just been established when I last visited Madras in January 1929 has now grown into a large organisation is the Madras Co-operative Milk Supply Union, Ltd. Though conducting business on a more modest scale it can well stand comparison with the better advertised Milk Union of Calcutta. One main distinction between the two institutions is that while the Union in Calcutta has to be largely subsidised by the State and have its operations controlled by inspectors from the Co-operative Department, the Madras Milk Supply Union receives no subsidy from Government. It had taken loans aggregating Rs. 15,000 in the years 1928 and 1929 which were repaid in full with interest before the close of the year 1933-34. The majority of the funds of the Union now consist of share capital amounting to Rs. 2,140 and a reserve fund of Rs. 4,371. Sales in the year 1934-35

amounted to Rs. 1,27,615 against which the expenses of management were only Rs. 18,000 inclusive of Rs. 7,844 spent on transport of the milk from the producing centres to the hospitals and depots. The net profit was Rs. 4,667 which enabled the Union to distribute a bonus of over Rs. 2,200 to the suppliers of milk. At the same time, the sale price to the consumers is fixed so low that it becomes impossible for the Union to meet the growing demand from individual customers for milk. Out of the sales, half are to local hospitals and the rest at the depots, numbering 20, which are spread throughout the city. To individual customers coupon books are issued against payment received in advance. So that the Union secures regular customers, the consumers, a regular supply while no doubtful outstanding bills need be carried by the Union on its portfolio either for retail or wholesale purchasers.

As its name indicates, the institution is a federation of milk supply societies, the number of which was 28 at one time and has now gone down to decline. The objects of the affiliated societies are to enable members to buy and maintain good milch animals, to buy and maintain breeding animals for the use of members and to arrange for the sale of milk on behalf of the members to the best advantage by putting on the market pure and unadulterated milk. In practice, the societies confine the attention to the last mentioned object and arrange for the regular milking under supervision of their members' animals at a central place, the testing of milk with the lactometer and the despatch of the milk regularly twice in the day in the Union's motor lorry. The Union has among its objects the purchase at wholesale rates of cattle food and other commodities required by members, the organization of the purchase of cattle required by the members, the encouragement of the growing of fodder crops and the establishment of a modern dairy plant; but it has made no attempt to carry out any of these objects. It has concerned itself hitherto merely with the organization of the disposal, on the best terms obtainable, of the milk and the milk products of its own members or of the members of affiliated societies. The Union purchases the milk at fixed rates and sells it to the public at rates also fixed from time to time. The unsold milk is turned into butter, cream, curds, butter-milk, skim milk and occasionally ghee and these products are sold for cash to retail customers. The arrangements for transport are, the Union considers, unsatisfactory and compel the suppliers to milk their cattle at unusually early hours. The Union hence feels the need of a pasteurizing plant for which it will require some financial assistance either from Government or from the Municipality. Looking to its efficient administration and the fact that nominated members are associated with the management along with elected representatives of societies, it may not be too much to hope that the assistance required for the installation of a pasteurizing plant will be forthcoming in the near future, thus enabling the Union to extend the scope of its operations to the great benefit of the consumers of milk in the city.

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## Editorial Notes.

### The Registrar's Report.

The report of the Registrar of Co-operative Societies, Madras, for the year 1934-35 shows that while the movement is still suffering from the effects of the economic depression, the working of societies in Madras in 1934-35 was in many respects better than in the previous year. The number of societies the registration of which was cancelled during 1934-35 was 281 against 462 in the previous year. This was not due to the adoption of an attitude of greater leniency towards bad societies but to action being taken to a greater extent than in the previous year under section 43 of the Co-operative Societies Act in superseding managing committees and under by-law 62 in appointing agents for the management of societies—agents being appointed in as many as 444 societies in the year under report. The number of societies of all classes at the end of 1934-35 was 13,453 against 13,634 and 13,956 at the end of 1933-34 and 1932-33 respectively. The loans issued by central banks to societies amounted to Rs. 87·10 lakhs against Rs. 67·33 lakhs in the previous year, while the overdraft transactions of these societies with the central banks amounted to Rs. 95·23 lakhs compared with 52·15 lakhs in the previous year. The loans issued by agricultural societies to their members likewise increased from Rs. 92·16 lakhs in 1933-34 to Rs. 124·73 lakhs in 1934-35. While this is no doubt considerable improvement, the

pre-depression level of credit is far from being reached, as may be judged from the fact that even in 1930-31 the loans issued by agricultural societies to their members amounted to Rs. 163.50 lakhs. The Registrar has repeated his advice of last year to the central banks, "that in order to resuscitate the movement and to infuse confidence in it amongst the agriculturists they should adopt a more liberal policy of advancing loans to societies consistent with the safety of the funds." On account of the increased lendings by central banks to societies, the surpluses in the former were reduced from Rs. 54 lakhs at the end of 1933-34 to Rs. 26.36 at the end of 1934-35. The total working capital employed in the movement, excluding the investments of one society in another, amounted to Rs. 1,048.19 lakhs as against Rs. 1,011.97 lakhs in the previous year.

Though it is not possible to say that in all respects collections were better than in the previous year, they were decidedly so in both agricultural and non-agricultural societies in respect of principal and in agricultural societies and central banks in respect of current interest. The percentage of balance to demand is still, of course, very high; but as the repayments of societies to central banks 1934-35 worked out at 36.24 per cent of the demand, they should not be considered very unsatisfactory. The Registrar rightly observes:

"The existing arrears in societies are the cumulative result partly of past mistakes, e.g., reckless lending, benami loans etc., and partly of the present economic depression and the process of recovery of overdues has, therefore, been slow. With an improvement in the present economic conditions and a rise in prices of agricultural produce and the continuance of the sustained efforts of both official and non-official staff, the repayments may improve."

Meanwhile, however, an attempt has been made to lessen the burden of the indebted member at least to some extent by the complete waiver of penal interest and by a reduction in the rate of interest on all outstanding loans, including even the decreed ones. It is rather strange and disappointing that societies, which have been benefited by the lowering of the lending rate by the central bank, should be slow and unwilling to lower their own rates of interest to their members. It is estimated that out of the total outstandings of about Rs. 600 lakhs in societies, about Rs. 500 lakhs still carry  $12\frac{1}{2}$  per cent penal interest. We are told that in the course of the two years

only 2,175 societies out of more than 12,000 have actually extended the concessions to their members.

The report contains an interesting analysis of the individual loans of 4,641 societies, which were examined in detail in connection with the Registrar's scheme for the rectification of societies. The total amount including interest involved in these loans was Rs. 216.62 lakhs. Of this amount, a sum of Rs. 125.08 lakhs was well secured and a sum of Rs. 89.54 lakhs was not adequately secured. Additional security was taken in respect of Rs. 14.08 lakhs and the balance of Rs. 75.46 lakhs remained ill-secured. Bad debts were estimated at Rs. 34.24 lakhs and of this a sum of Rs. 6.81 lakhs was calculated to affect the central banks. As against this, the central banks had a special bad debt reserve of Rs. 10.48 lakhs, in addition to the ordinary reserve fund of Rs. 29.73 lakhs. During the year these funds were further augmented and after the audit for 1934-35, stood at Rs. 14.24 lakhs and Rs. 31.33 lakhs respectively. Well may visitors observe, as the Registrar says they have done, that the strong point in the co-operative movement in Madras is the sound position of the financing banks.

Other satisfactory features of the year were that there was a decrease in the number of arbitration references and execution decrees that were pending; that the execution of decrees through the Registrar's staff was satisfactory and he has requested the Government to increase the staff; that the Central Land Mortgage Bank continued to show excellent all-round progress and the collections in the primary land mortgage banks very much improved, so that the percentage of arrears under principal and interest were reduced from 47.68 and 12.84 in 1933-34 to 36.89 and 6.51 respectively in 1934-35; that the sale of agricultural produce, mainly cotton, ground-nut, paddy and jaggery, through loan and sale societies, increased from less than Rs. 5 lakhs in the previous year to over Rs. 17 lakhs in the year under report; that of store societies in urban areas those that worked at a profit showed more profit and those that worked at a loss showed less loss than in the previous year; and that the Milk Supply Union and the South India Co-operative Insurance Society continued to work well.

In respect of supervision, education and propaganda, however, the report has not much to say which is satisfying. The number of supervising unions was reduced from 360 to 301 and the process of reduction has not yet ended. So-called training classes for pancha-

yatdars are said to have been held in five districts in 55 centres and attended by 229 members from 49 societies. We are not told anything about their duration or curriculum. In the Registrar's opinion, 'education and propaganda are the crying needs of the day'—an opinion which is widely shared by non-official co-operators as well. A subsidy from the Government of India has also come in very timely. We are told that a scheme 'for the comprehensive training of departmental and non-official staff and for the education of panchayatdars and members of societies' has been sent up by the Local Government to the Government of India. We wish that in respect of a scheme for which so much is claimed, non-officials had been taken into confidence and given an opportunity for expressing their opinion on it. That apart, we hope the sanction of the Government of India will be obtained soon and something useful will be done quickly, for a whole year has passed since the Government of India's grant was announced.

### The C. P. Governor's Speech.

A considerable part of the speech made by His Excellency Sir Hyde Gowan, Governor of the Central Provinces and Berar, at the commencement of the last budget session of the Legislative Council which is published elsewhere in this number, was devoted to a consideration of the steps taken by his Government to improve the condition of the agriculturists in view of the present economic depression. Speaking of debt conciliation, he said, "By the end of the last revenue year, 11 Conciliation Boards had dealt with no fewer than 11,330 applications, involving debts of 144½ lakhs of which 61½ lakhs or 42 per cent. had been remitted." He anticipated the criticism that most of it was paper debt which never would or could have been recovered, and answered that it *was* there, whether it could be repaid or not, and that a substantial reduction of it was bound to give a feeling of relief to the debtor. He further pointed out that from every part of the province requests were coming for the constitution of these Boards, which showed that whatever might be the verdict of the future upon them, their present benefits were appreciated by the people. A special grant from the Government of India, he said, had enabled the Local Government to sanction the constitution of 5 more Boards. The claim made by His Excellency for these Boards is strikingly modest. Their satisfactory working has been noted even by outside public men and at least in our province legislative action has been taken to walk in the footsteps of the Central Provinces

in this respect. Let us hope that an equal measure of success will attend our effort.

It is surprising that while the Conciliation Boards are appreciated and freely resorted to, the institutions which are meant to supplement them by providing the funds with which to pay off the conciliated debts—we mean, the land mortgage banks—are not being availed of to a sufficient extent. As in this province, the C. P. Government have guaranteed the principal and interest on debentures of land mortgage banks (up to an extent of Rs. 50 lakhs,) and ten such banks also have been started. But up to the end of December last only 71 suitable applications amounting to less than a lakh of rupees had been received. It is certainly a curious phenomenon and very unlike the experience our province. In his own interesting way Sir Hyde Gowan explained the reason :

The Bank says, 'we will charge you 7 per cent but you must pay on the nail.' The Banya says, '9 per cent and you may pay when convenient.' In the mind of the debtor the small saving of interest is not big enough to outweigh the extra strictness and he goes to the Banya."

The strictness of the Bank will save the debtor, while the Banya's leniency in the early days will only ruin him. The whole object of the co-operative movement is to teach this lesson to the members of societies." That they are so slow to learn it often makes one despair. But there is only one course to follow—to educate and to educate them more in the principles and methods of co-operation.

Other interesting statements made by His Excellency were that the fear expressed in certain quarters that the working of the Conciliation Boards would cause agricultural credit to dry up had not been justified and that the value of lands had not unduly gone down. Said His Excellency :

"An analysis of the figures for a large number of sales has made it abundantly clear that when abnormalities have been discarded and the real selling value has been calculated there is no foundation for the oft-repeated complaint that that value has fallen to a disastrously low figure. Replies received from revenue officers in all parts of the province, and especially from the Court of Wards and Land Acquisition officers, have shown that with rare exceptions the value of villages is far in excess of any figure at which Government could afford to enter the market."



We do not know that this latter statement could be said to apply to our province, as the value of land in many areas is known to have gone below what it was in pre-war days. Even in the Central Provinces, we should think, the question requires further examination. His Excellency also stated that the provisions of the Cotton Markets Act had been applied with suitable adaptations to all agricultural markets in the province with a view to put a stop to some of the blatant malpractices by which the agriculturists are being cheated at present. This is a direction in which the authorities in our province have not yet taken action, though it is long overdue.

### A Notable District Bank in U. P.

It has been a very great pleasure to us to read the 36th annual report of the Fatehpur District Co-operative Bank in the United Provinces. This Bank is unique in having been started several years before the Co-operative Credit Societies Act of 1904 was passed. We understand also that it is the only District Bank in the United Provinces which has a non-official Chairman, the Collectors being the ex-officio Chairmen of other district banks—an arrangement which appears very strange and unco-operative in the eyes of our co-operators. Compared with our district banks, the Fatehpur Bank is a small one, but in several respects its example is worth copying by our district banks. On 30th June 1935 it had 107 agricultural and 3 non-agricultural societies affiliated to it. Its working capital was about Rs. 1,30,000 and that of its affiliated societies about Rs. 2,30,000. It seems there is demand for more societies in the district, particularly for agricultural societies of sugarcane growers and the district bank is in a position to finance them; but for want of an Inspector new societies are not being organised. Apparently in the United Provinces only Inspectors are permitted to organise new societies. In some of the other provinces it is not the case, and we would suggest to the Chairman of the Fatehpur Bank to persuade the Co-operative Department to register societies organised by non-officials like himself. In the report under review, Mr. Dalip Man Singh, the Chairman, says that he visited everyone of the 110 societies at least once and the bad societies and those where special activities have been introduced, three or four times during the year. What is more, he made these visits at his own expense and not at the expense of the District Bank! That is a record of self-sacrificing zeal which has no parallel in other provinces. Further, his wife accompanied him in some of his tours and met the female relations of members of societies

in their homes and made them interested in co-operation. How it gladdens one's heart to read such a statement!

The usual rate of interest is much higher in the U. P. than in South India, being  $12\frac{1}{2}$  per cent for the members of a rural credit society. But many societies charge only 6 per cent on loans taken for permanent improvement of land such as sinking of wells and digging of tanks. "It has also been announced that small sums up to Rs. 25 will be allowed to Harijan members free of interest for the repair of one well in every village for drinking purposes whenever necessary." For these two classes of loans the District Bank supplies money to the societies at 4 per cent and without interest respectively. Seventy-seven societies kept medicine chests and distributed simple medicines; eight societies conducted night schools, which also served as clubs and meeting places; some societies supplied improved vegetable seeds to their members; in some societies fruit cultivation was specially encouraged. Un-productive expenditure, we are told, has been very much reduced and litigation among members practically unknown—nay, they also try to settle disputes among non-members as well. The societies in Fatehpur district are thus not confining themselves to mere lending and collecting moneys but are taking an active interest in the lives of the members. The example of the Chairman is particularly worth following.

### The T. U. C. S. in 1935.

A recent issue of the *Bulletin* published by the Triplicane Urban Co-operative Society, or the Triplicane Store contains a review of the work of the Society in 1935. During the year its membership and share capital fell from 5,650 to 5,600 and from Rs. 87,970 to Rs. 84,214 respectively. But the sales in 1935 amounted to Rs. 9.36 lakhs against Rs. 8.54 lakhs in 1934, and the profit earned also was progressively larger during the two half-years of 1935. During the half-years ending 30-6-1933 the society worked at a loss, but since then the profit has risen in each successive half-year and it is estimated at Rs. 10,000 for the one ending 31-12-1935. The Society should be warmly congratulated on this steady improvement in its business.

Membership and share capital have been falling since the credit department was abolished a few years ago. The fall in membership has not been great on the whole, and "need not cause as

much anxiety as the large proportion of members on the rolls who could not or would not make any purchase from the Society." An analysis of members according to the purchases made by them shows that in September as many as 1,538 members made no purchases at all while the purchases made by 1,139 members amounted to less than Rs. 5 per head. This high proportion of ineffective membership should cause much more anxiety than the fall in total membership. As the *Bulletin* has rightly pointed out, 'what is needed is a campaign for effective membership among those on the rolls as much as for new members.' We believe no membership campaign has yet been tried by any society in our country, not even by the T. U. C. S., though such campaigns are very common in England and other European countries. It looks as if even those who are giving a good deal of their time for the management of the society do not have enough enthusiasm for the cause or enough faith in themselves to tackle their friends and bring them into the co-operative fold. The steps hitherto taken by them in the matter of co-operative education are utterly inadequate. They have contented themselves with an occasional demonstration or the publication of a bulletin. They have not made any serious effort to interest the housewife in the co-operative store, and yet without her active goodwill the effective membership of a store cannot increase. The present is a very favourable time for the T. U. C. S. to begin its campaign for effective membership, as it has worked at a good profit during the last four half-years and as it has made good arrangements for the purchase of rice, butter and some other articles. We hope that in launching this campaign a special effort will be made to enlist the sympathy of members' wives, who it is that really control the household purchases.

### Government Servants and Indebtedness.

It is reported that the present Registrar of Co-operative Societies, Mysore, has submitted a scheme for the approval of the Mysore Co-operative Enquiry Committee, according to which Departmental Societies are to be started for the benefit of Government servants and the latter are to be prohibited from being members of, or at any rate borrowing from, other credit societies. It is part of the scheme that the proposed Departmental Societies should be able to meet all the reasonable needs of the members, so that they may not be put to any great hardship. It is said that Government servants of the middle and lower middle classes in the State have become heavily indebted by joining several societies and borrowing from all of them

and that the evil is great enough to have been the subject of an enquiry by a departmental committee some time ago; and that it expressed the view that it was necessary to control the borrowing of the subordinate officials. Excessive indebtedness in an official undoubtedly interferes with the proper discharge of his duty and therefore needs to be specially provided against in the interests of efficient administration. But it is also necessary to prevent excessive indebtedness and borrowing from several societies even by those who are not Government servants. This necessity was realised in our province some years ago and a rule has been passed under the Act which runs as follows:—

“XX. No person being a member of a credit society, except a land mortgage bank, or a financing bank, shall be a member of any other credit society without the general or special sanction of the Registrar; and where a person has become a member of two such credit societies, either or both of the societies shall be bound to remove him from membership upon a written requisition from the Registrar to that effect.”

We commend the adoption of a similar rule by the authorities in Mysore. In this connection we reproduce below a question answered in the Madras Legislative Council on 25-3-36 :—

Rao Sahib V. I. Muniswami Pillai asked the Minister for Public Works to state whether the Sessions Judge at Ganjam, while acquitting accused in a case on 11th September 1935, expressed that Government servants in active employ must be prohibited from undertaking any honorary office in co-operative societies; if so, what action the Government propose to take to rescue Government employees from prosecutions.

The Minister replied: Yes. It is not possible to give effect to the suggestion of the District Judge. Under the Government Servants' Conduct Rules, Government servants can accept office without the sanction of Government in societies composed wholly of Government servants, or partly of Government servants and partly of employees of local bodies; while the sanction of Government is necessary for them to accept office in other societies. In a society composed wholly of Government servants, etc., it is inevitable that some of them must accept office and be on the committee of management. Even if a paid officer is employed in such societies (which is

not possible in very many societies of this class) the members of the committee of management have to perform certain duties according to the by-laws and are responsible for the administration of the affairs of societies. Government servants are as much in need of the benefits of co-operative societies as others. They cannot be deprived of these benefits simply for the reason that misappropriations have occurred in one or two such societies. When Government servants accept office in other classes of societies the specific sanction of Government is obtained in each case. Government servants are allowed to serve on the committee of such societies only when their presence on the committee is considered necessary for the proper working of such societies. Such cases are exceptional.

We should, however, not like to stop with it. A thrift and better living campaign should be started for the benefit of all members of societies, though it is even more needed for Government servants than for others. There is an unfortunate tendency in the Government servant, especially in an Indian State, to have an exaggerated notion of his status and to live beyond his means. It is inevitable that his example, whether good or bad, should be followed by many, as he generally holds a coveted and influential position. If he adopts a simple life and creates a tradition of freedom from debt, his example will promote thrift as much as it is now promoting extravagance.

### Central Banks' Conference—15th Session.

The fifteenth session of the Central Banks' Conference which was held on Saturday and Sunday the 21st and 22nd March 1936 respectively under the presidency of Dewan Bahadur T. A. Ramalingam Chettiar, transacted some very useful business. The Conference examined Mr. Satyanathan's report on Agricultural Indebtedness and formulated its views on such of the recommendations of the report as are of special interest to agriculturists in general and to co-operators in particular. The Conference expressed itself very emphatically against the recommendation of the Special Officer that supervision of societies should be transferred entirely to the Registrar and his Department. The Conference was also against his recommendation to give representation to creditors and depositors in the management of financing banks. The Conference was of opinion that the Debt Conciliation Act recently passed by the Madras Legislative Council was not a sufficiently effective measure to deal with

indebtedness, but expressed the hope that if the operations of the Conciliation Boards were co-ordinated with those of the Government agency and Land Mortgage Banks, for the advance of long term credit, some beneficial results might be expected. We have published elsewhere in this issue the text of the memorandum adopted by the Conference and shall be glad to give due publicity to the views of the central banks and of individual co-operators thereon, in these pages.

The Conference passed a resolution\* protesting against the amendment to section 43 of the Act recently passed by the Madras Legislative Council dispensing with the concurrence of the Provincial Bank in regard to supersession of central banks by the Registrar and against the rules framed recently by the Government one of which empowers the Managers appointed by the Registrar under section 43 to nominate either themselves or other persons of their choice to the Committees of the financing banks. In this connection, we desire to draw the attention of our readers to the article contributed to this issue by Mr. V. Ramadas Pantulu on "Supersession of Central Banks" and the manner in which the provisions of the Act relating thereto are worked in practice. As may be expected, the Conference passed a resolution to the effect that if the societies affiliated to a central bank, whose committee is superseded, require financial accommodation, such societies should be financed directly by the Provincial Bank, with the Registrar's permission, and not through the Manager in charge of the superseded central bank. This resolution, we understand, has been subsequently agreed to by the Board of Management of the Provincial Bank, unanimously.

Another resolution to which we wish to draw special attention is that which deals with the composition of the Boards of Management of central banks, with reference to individuals and society-representatives. While the generally accepted proportion of one to two is reaffirmed, giving the societies double the representation which individuals have, the Conference resolved by a majority that individuals should be elected by the individual share-holders themselves at a meeting of their own and the representatives of societies should be elected by the general bodies of unions or groups of unions as the case may be. We are of opinion that this is a sound proposal and is calculated to strengthen the management of central banks and ensure the effective representation of the non-borrowing element, without giving them a deciding voice.

The resolutions of the Conference dealing with diversion of portions of the net profits earned by central banks to bad debt reserve and development of loan and sale societies are on right lines. We hope that suitable action will be taken on the various resolutions passed by the Conference.

### Statistics of Urban Banks.

At the instance of the Tirupati Co-operative Town Bank, which is affiliated to the Madras Provincial Co-operative Union we sent sometime ago circulars to all Urban Banks whose working capital is about rupees one lakh and more, requesting them to furnish details of their working capital, rates of interest, overdues etc. We publish elsewhere in this number the details furnished by some Urban Banks for the information of co-operators.

## Supersession of Co-operative Central Banks.

### A NEW DANGER TO THE MOVEMENT.

BY MR. V. RAMADAS PANTULU.

Section 43 of the Madras Co-operative Societies Act (VI of 1932) is a new provision which did not find a place in the Indian Co-operative Societies Acts of 1904 or 1912. The main reason for the enactment of section 43 seems to be that in regard to a society which is being mismanaged there should be some intermediate stage before liquidation, after the mismanagement has come to light. This matter was considered by some of the Provincial Banking Enquiry Committees in dealing with the Co-operative Movement, but no Committee recommended the enactment of a provision like that embodied in section 43 of the Madras Act. The Bombay Provincial Banking Enquiry Committee made the following recommendation: "We think that the supervising union, as the local controlling authority, should have the power with the consent of the Registrar to suspend the society when it is not working properly and to entrust the management to a suitable person or persons for a definite period not exceeding two years. If the desired improvement takes place during the period, the Society may be ordered to be reinstated; otherwise it may be ordered to be wound up." It is the supervising union that is to take final action under this recommendation and is evidently intended to apply to primary societies only. Notwithstanding this recommendation, Bombay has not thought it fit to include this provision by amending the Bombay Act VII of 1925; nor does the Burma Act VI of 1927 contain a provision for supersession. In British India, the Bihar and Orissa Co-operative Societies Act (VI of 1935) has introduced a provision for supersession of societies. But section 41 of that Act, which provides for the supersession of the managing committee of a society, is radically different from section 43 of the Madras Act. Under the Bihar Act, the Registrar may dissolve the managing committee of a society, if in his opinion, the committee is mismanaging the affairs of the society. An appeal lies from the order of the Registrar superseding the managing committee to the Local Government, within three months from the date of communication of the order to the society. What is to happen after such dissolution? The Registrar does not proceed to appoint a manager as in Madras. It is provided



that when a managing committee is so dissolved by the Registrar, the society (general body) shall elect a fresh managing committee; but so long as the order of supersession of a managing committee is in force, no member of the superseded committee shall be eligible for re-election to the new committee, except with the approval of the Registrar. Thus, the Bihar Act does not contemplate the entrusting of the management of a society to a manager appointed by the Registrar or to a committee nominated by him, but to a new committee elected by the General Body. Even in electing the new committee, such of the members of the old committee as are approved by the Registrar may be re-elected to the fresh managing committee. If the society does not elect a fresh managing committee as stated above, then the Registrar will require an officer of the society to call a general meeting of the society, or if the officer fails to convene the meeting, he may himself call a general meeting. The general body will review the whole situation and take into consideration such matters as the Registrar may direct and presumably take such action as may be necessary.

Among the Indian States, so far as my information goes, Mysore is the only State that has incorporated a provision in its Code for the supersession of the committee of a society. Section 38 (A) of the Mysore Regulation VII of 1918, as amended by Regulations V of 1929 and VI of 1933, provides for the Registrar calling upon a society to appoint another committee, if in his opinion the existing committee is not functioning properly. It is only in case the general body does not take necessary action to appoint another committee that the Registrar may supersede the Committee and appoint a manager. An appeal to the Government is provided against the order of the Registrar superseding a committee, even when such order is passed after the general body has failed to comply with his requisition to appoint a new committee. In the Mysore Act, the order of supersession must in the first instance not exceed one year and the subsequent extensions cannot exceed one more year, so that the order shall not remain in force for more than two years in the aggregate in any case.\*

It will be thus seen that in the two other Acts in India which provide for supersession, the provisions are much less drastic and provide for the general bodies being given fullest opportunity to set

\* Sections 41 of the Bihar Act and 38 (A) of the Mysore Act are appended.

right matters before any action is taken. These Acts also provide for appeals to Government against the order of the Registrar superseding the committee of a society. The Madras Act completely ignores the general bodies of societies and also makes the Registrar's order non-appealable to the Government. The application of the provision of the Madras Act in practice has resulted not merely in the supersession of committee of management but the supersession of the general body itself. In the Hospet Central Bank which was superseded by the order of the Registrar with effect from 26th February 1934, no meeting of the general body was convened for 1934 or 1935, though it is obligatory to do so under the by-laws of that bank to consider the administration report and audit certificate of the Registrar. All the by-laws of that central bank relating to the functions of its general body have also been suspended, though there is no provision for it under section 43 of the Act. This is clearly an illegal application of section 43. The order has been further extended for another six months without even consulting the general body.

When section 43 of the Madras Act was originally enacted in 1932, a difference was made between the supersession of committees of primary societies and of central banks. In the latter case, it was expressly provided that the previous concurrence of the Provincial Bank should be obtained for the supersession of the committee of a central bank. But by a very emergent amendment of the Act, suspending normal rules of legislative procedure, section 43 of the Act was amended by Madras Act II of 1936, dispensing with the need for the concurrence of the Provincial Bank in regard to supersession of committees of central banks. In the statement of Objects and Reasons to the Bill, it is alleged that as the Executive Committee of the Provincial Co-operative Bank consists largely of the representatives of the financing banks, there is considerable delay in obtaining the concurrence of the Provincial Bank and that there is no need for a financing bank to be affiliated to the Provincial Bank. A perusal of the files relating to the supersession of the committees of the Hospet and Guntur Central Banks, the only cases which arose before the amending Act II of 1936, will show that the allegations contained in its Statement of Objects and Reasons are unfounded and uncalled for. The reason for the amendment evidently lies elsewhere, but it is unprofitable to speculate.

Since section 43 was so amended by Act II of 1936, the Registrar asked for the opinion of the Provincial Bank in regard to

his proposal to supersede the committee of the Kumbakonam Central Bank. His communication was received by the Provincial Bank on the 14th December 1935 and the matter was finally disposed of by the Executive Committee of the Provincial Bank on the 23rd February 1936, without any avoidable delay having regard to the complicated nature of the case and the meetings of the executive committee being held only once a month. The Committee has always been anxious to give preference to the Registrar's references and treat his proposals with the utmost consideration; and this case was no exception. But a perusal of the correspondence that passed between the Registrar and the Bank and the resolution of the Executive Committee dated 23rd February 1936 will show that after the amendment of section 43 dispensing with the concurrence of the Provincial Bank, the consultation under that section with the Provincial Bank has practically been reduced to a formal affair and that its opinion is invited merely for the sake of a technical compliance with the section. The concern of the Provincial Bank in the supersession of Central Banks affiliated to and financed by it is thus practically ignored. There can be no doubt about the unwisdom of this policy.

Section 43 has been put to a new use by rules purporting to be made under section 65 of the Act. Under the rules as finally published in the Fort St. George Gazette dated 17th March 1936, existing representation of superseded societies on the committees of the financing banks has been terminated and the persons appointed by the Registrar are empowered to nominate themselves or others of their choice to the Board of Management of the financing bank in the place of the representative already nominated by the society. The rule may be *bona fide* legal. But if the Government wish to assume new powers to interfere with the composition of the committees of financing banks, they must do so by an amendment of the Act and a vote of the Legislature and not in the guise of rule-making.

I think the present rule in regard to section 43 is a grave abuse of the rule making powers. To fill the Board of Management of the Provincial Bank by departmental inspectors in charge of the management of central banks under section 43 or their nominees could not have been contemplated by the Legislature when enacting section 43. When the Government and the Registrar themselves have not sought for any powers so far to nominate members to the Boards of Management of the central banks and the Provincial Bank in accordance with the well established policy adopted in this

province it is difficult to understand on what grounds of public policy or expediency or interests of the Movement, the vesting of this new power in departmental subordinates to nominate members to the Board of Management of the Provincial Bank can be justified. The Central Banks and the Provincial Bank may agree to the proposal that the representation on their boards from superseded societies may cease, as was contemplated by the rule as originally drafted and to which no objection was raised by the Provincial Bank or the Provincial Union; but they cannot agree to the inflow into their boards of departmental subordinates and their nominees through the back door opened by the rule-making power of the executive. If superseded societies have to be represented, there are the General Bodies of those societies which are not touched by the supersession and they may be vested with the power to send a representative to the financing bank.

It may not be out of place to point out that the person appointed under section 43 to manage a central bank, unless he is an honorary worker, is often a departmental subordinate whose pay and allowance are paid for by the bank and as the paid employee of the bank will be *prima facie* disqualified to sit on the committee of the Provincial Bank by another rule newly framed. Nevertheless this rule says that he can nominate himself or another person to the Board of the Provincial Bank. To argue that though such a person is paid by the central bank and does its work is not its employee, for he takes the place of the committee, is to take shelter under a supercilious technicality.

It appears to me that the working of section 43 in this manner is beset with considerable danger to the co-operative central banks in this province. The Registrar's source of information will mainly be the reports of local officials and the committees of management of central banks are exposed to very grave risks, unless they are constantly on their good behaviour so as not to incur the displeasure of the local officials. The independence of the Boards of Management of the central banks will be greatly impaired by the atmosphere in which they have to work in constant dread of action under section 43 being recommended by the local officials. As the Registrar's order is not appealable to the Government and the concern of the Provincial Bank in regard to supersession of a central bank affiliated to and financed by it is practically ignored, as the section is so applied as to supersede the General Body as well in

practice and to fill the Board of the Provincial Bank with departmental subordinates as members, a really grave situation is created by section 43 of the Act or rather its misuse. I am of opinion that co-operators must take adequate steps to get the section repealed so far as it relates to central banks and radically modified in regard to primary societies.

There is still another question connected with superseded Central Banks. It is the question of financial accommodation to them by the Provincial Co-operative Bank. The matter must of course be dealt with quite independently of the manner in which section 43 was amended in 1934 so as to deprive the Provincial Bank of a voice in the matter of supersession of Central Banks and the several other matters connected with the working of section 43, which I have discussed above. The question of finance must be decided on its own merits. When a Central Bank is superseded, its financial position and management must both have been extremely bad. The person appointed to manage such a bank will have to engage himself mainly in the task of setting right the management, reducing overdues and paying the creditors of the bank. It therefore appears to me that it is financially inadvisable and inexpedient to continue to finance such banks on the requisition of managers appointed by the Registrar, who are in no way responsible to carry out the conventions and obligations which the committee of a central bank is bound to do in accordance with the precedents and practice which have been so long in force. Sub-section (2) of section 43 as originally passed and before it was amended by Act VI of 1934 did not in my opinion contemplate his embarking on regular banking business, borrowing afresh or lending anew or expanding credit. In most cases he will not have the knowledge, training and equipment to discharge such a function and it will be extremely risky for the Provincial Bank to advance fresh funds to the Central Bank on his requisition. If the Registrar thinks that the societies in the areas of such banks require financial accommodation, and if the Government does not come forward to finance them, the Provincial Bank may with the permission of the Registrar, directly finance such societies after satisfying itself about the eligibility of the borrowing societies for fresh credit. As soon as the managing committees are restored, such new business transacted by the Provincial Bank during the period of supersession may be transferred to the banks concerned.

## APPENDIX.

### Section 41 of the Bihar and Orissa Co-operative Societies Act (VI of 1935).

(1) If, in the opinion of the Registrar, the Managing Committee of any registered society is mismanaging the affairs of the society, he may, by order in writing, after giving the managing committee an opportunity to state its objections, if any, dissolve the managing committee and order that all or any of its members shall be disqualified from being elected to the managing committee of the society for a period to be specified in the order not exceeding three years.

Provided that the Registrar may from time to time extend the period specified in such order for further periods not exceeding one year at a time, and not exceeding in the aggregate two years.

Every order of the Registrar under this sub-section shall state the reasons for which it is made and shall be communicated by registered post to the registered society concerned.

(2) When a managing committee is dissolved under sub-section (1), the society shall elect a fresh managing committee :

Provided that, so long as an order under sub-section (1) remains in force, no member shall hold office except with the approval of the Registrar.

(3) If the society fails or refuses to elect a fresh managing committee under sub-section (2) the Registrar may—

(a) require an officer of the society to call a general meeting at such time and place at the head-quarters of the society and require the society to take into consideration such matters, as he may direct, and

(b) if such officer refuses or fails to call such a meeting or if there be no quorum at a meeting so convened, call such meeting himself, by giving notice to the members in such a way as he may consider reasonable, notwithstanding any rules or bye-laws prescribing the period of notice for calling a general meeting of the society. Any meeting so convened by the Registrar shall have all the powers of a general meeting convened under the by-laws of the society.

(4) Nothing in this section shall be deemed to affect the powers of the Registrar to order the winding up of a society under section 42 or to cancel the registration of the society under sub-section (8) of section 44.

(5) An appeal shall lie from an order of the Registrar under sub-section (1) to the Local Government on application made by any member of the managing committee within three months from the date of communication of the order to the registered society concerned. The order of the Local Government on appeal, and subject to the result of such appeal, if any, the order of the Registrar, shall be final.

**Section 38-A of the Mysore Co-operative Societies' Regulation, (VII of 1918).**

(1) If in the opinion of the Registrar, the committee of any registered society is not functioning properly, he may, after giving an opportunity to the committee to state its objections, if any, and after considering the objections raised, call upon the members of the society to appoint another committee in such time as may be fixed by him. If the members fail to appoint a committee which, in the opinion of the Registrar, is likely to function satisfactorily, and the Registrar is of opinion that, in the circumstances of the case, it is undesirable to order the cancellation of the registration of the society he may, by order in writing, dissolve the committee and appoint a suitable person or persons, to manage the affairs of the society for a specified period not exceeding one year. The period specified in such order may, at the discretion of the Registrar, be extended from time to time, provided that such order shall not remain in force for more than two years in the aggregate.

(2) The person or persons so appointed shall have power, subject to the control of the Registrar, to recover the assets and discharge the liabilities of the society and take such action as may be required in its interests.

(3) The Registrar may fix the remuneration payable to the person or persons so appointed. The amount of such remuneration and other costs, if any, incurred in the management of the society shall be payable from its funds.

(4) The person or persons so appointed shall, at the expiry of the period of his or their appointment, arrange for the constitution of a new committee in accordance with the by-laws of the society.

(5) Before taking any action under sub-section (1) in respect of any society, the Registrar shall, if the society, is indebted to a financing Bank, consult such bank regarding such action and the provision to be made for the management of the affairs of the society.

(6) Any member of the society may, within one month from the date of an order passed by the Registrar under sub-section (1), appeal from such order to the Government.

(7) Nothing in this section shall be deemed to affect the powers of the Registrar to cancel the registration of the society under section 39.

## Debt Relief Legislation in U. P.

BY MR. LOKANATH SRIVASTAVA, B.A., LL.B.

There has been considerable economic distress in the United Provinces of Agra and Oudh in recent years, as in other provinces of the country. Slump in prices and the indebtedness of those classes which eke out their living from land are some of the causes of this depression. The United Provinces Legislature being alive to the need, has passed six Acts to relieve, as far as possible, the agriculturists and other land owning classes from indebtedness and high rates of interest. Efforts have also been made to retain the landed property of the debtors with them, as much as it may be feasible.

### *Agriculturists' Relief Act No. 27 of 1934.*

The first of the Acts in the line is the Agriculturists' Relief Act which received the assent of the Governor-General on the 10th April 1935 and came into force on the 30th April 1935. This Act attempts to relieve the agriculturist from indebtedness by reducing the rate of interest and by providing easy methods of repayment. The term 'Agriculturist' has been used in a wide sense in the Act and embraces almost all classes of people who depend on land for their livelihood. It includes landlords, under proprietors, *thekedars* paying revenue up to Rs. 1,000 per annum, persons in permanently settled districts who pay a local rate under the District Boards' Act X of 1922 up to Rs. 120 per annum, and persons holding land free of revenue who pay local rates up to Rs. 120 per annum. So far as actual cultivators are concerned the Act applies only to tenants who do not pay more than Rs. 500 as rent per annum and to persons who hold land rent-free, the areas of whose holdings do not exceed 80 acres. Besides these persons the Act also applies to agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatsmen, barbers, tanners and leather workers, scavengers, basket makers, potters, mid-wives, watchmen, weavers or other servants of the village community or any similar class of persons whom the Local Government by notification from time to time may include.

### *Chief Benefits Conferred by the Act.*

(1) Under the Act the Courts are authorised to grant instalments for repayment both in money and mortgage suits and also in cases in which money or preliminary decrees have been passed but



they are not fully satisfied. The time for repayment may vary from 4 to 15 years in various cases.

(2) The rate of future interest on decretal amounts has been reduced to  $3\frac{1}{2}$  per cent per annum.

(3) Execution of decrees by sale of agricultural produce has been limited to 4 years.

(4) Summary remedy for the redemption of mortgages merely by an application has been provided by the Act.

(5) In case of possessory mortgages in future the mortgaged property shall be returned to the mortgagor at the end of a fixed term not exceeding 20 years and the mortgage debt shall be deemed as discharged.

(6) Rates of interest have been reduced by the Act as follows :

Amount of Loan.	Secured Loans.		Un-secured Loans.	
	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.
a. Rs. 500 and under ...	$6\frac{1}{2}$	9	11	14
b. Rs. 501 to Rs. 5,000 ...	6	8	$9\frac{1}{2}$	$11\frac{1}{2}$
c. Rs. 5,001 to Rs. 20,000.	$5\frac{1}{2}$	7	8	10
d. Over Rs. 20,000 ...	5	6	7	$8\frac{1}{2}$

(7) Money lenders are required under the Act to keep regular annual accounts of every debtor and to supply a copy of it to him. Failure to comply with this provision on the part of the creditor shall make him liable to lose whole or part of interest and the costs of the suit. The debtor has also the right to sue for the account of the money lent.

(8) A document will be prepared for every loan and a copy of the same shall be supplied to the debtor by the creditor.

(9) A fine of not exceeding Rs. 100 for the first offence and up to Rs. 500 for the second offence will be imposed upon the creditor for entering in books of accounts a sum larger than that actually lent and for not giving receipts.

(10) Interest on unsecured loans will be charged at the rate fixed for secured loans if the debts are paid back at the fixed time or earlier.

# DEBT RELIEF LEGISLATION IN U. P.

(11) Stamp duty and registration fee and copying fee have been considerably reduced on certain bonds executed by agriculturists.

If the bonds are in the form provided by the rules prepared under the Act, no copying fee will be charged for registration.

The following are the rates for stamp duty and registration fees :—

Amount.	Stamp duty.		Registration fee.		Copying fee.
	Rs.	As.	Rs.	As.	As.
Up to Rs. 50 ...	0	1	0	1	3
„ 50 to Rs. 100 ...	0	2	0	2	3
„ 100 „ 200 ...	0	4	0	4	4
„ 200 „ 300 ...	0	6	0	6	6
„ 300 „ 400 ...	0	8	0	8	8
„ 400 „ 500 ...	0	12	0	12	10
„ 500 „ 600 ...	1	10	2	4	12
„ 600 „ 700 ...	2	0	2	4	12
„ 700 „ 800 ...	2	6	2	4	12
„ 800 „ 900 ...	2	12	2	4	12
„ 900 „ 1,000 ...	3	2	2	4	12
For ever Rs. 250 or part of Rs. 250, above Rs. 1,000 up to Rs. 3,000.	1	0	0	4	Nil.

## *The United Provinces Encumbered Estates Act No. 25 of 1934.*

The second Act in the series is the United Provinces Encumbered Estates Act, which comes into force simultaneously with the Agriculturist's Relief Act, is intended to protect the landlords who pay not less than rupee one as local rate. Under this Act the debtors are required to make applications within one year from 30th April 1935 to the Collector giving the details of their debts. Special Judges are appointed under the Act. After the application has been made the Special Judge will go into the history of the debts and determine (a) the amounts payable by the applicant to each of his creditors and their priority ; (b) whether there is any necessity to reduce the rate of interest, keeping in view the principle of *Damdupat*, i.e., the total amount shall not exceed double the principal. In this respect a line has been drawn between the debts incurred before the 31st December 1916 and those incurred afterwards. In the former case the total debt will not exceed double the principal entered in the last document and

in the latter case the total debt will not exceed double the amount actually lent. The Special Judge will keep in view the principles of the Law of Contract and the Usurious Loans Act.

(c) Then he will grant simple money decrees for the amount found due and the Collector will then arrange for the liquidation of the debt by grant of mortgage or bonds or by sale of the unprotected property of the landlord and bonds if any. The Collector is also entitled to sell the non-Zamindari property of the debtor as he deems proper after hearing the objections, if any, from the debtor. He will not, however, sell such personal property of the debtor and his family as it may be reasonable for a person of the debtor's position in life to possess, unless the said property is pledged as security for loans. At any rate the Collector will leave for the debtor at least one residential house and its furniture if they are free from mortgage or charge.

The entire debt of the debtor will be deemed to have been discharged after his unprotected land has been sold and bonds to the extent of the instalment value (which will be determined according to the rules framed by the Local Government) of his protected land have been granted. The debtor will also be immune from arrest for his debts. Protected lands are those which have been settled under the Oudh Settled Estates Act or to which the provisions of the United Provinces Estates Act apply.

After the application for the discharge of debts has been made to the Collector, the creditors will be debarred from taking execution proceedings against the debtor in the Civil Courts either by attachment or arrest.

Now there is a class of persons who have remedies both under the Agriculturists' Relief Act and the United Provinces Encumbered Estates Act. But they cannot take the benefit of both the Acts. Once the debtor has applied under the latter Act, he will be debarred from taking refuge under the former one. The chief intent of the United Provinces Encumbered Estates Act is to protect those Zamindars whose property, for some reason or other, cannot be administered under the Court of Wards Act.

#### *The United Provinces Regulation of Sales Act.*

The third Act passed is the United Provinces Regulation of Sales Act. This Act also came into force on the 30th April 1935, but its duration is short unless, of course, it is extended by the Local Government. Ordinarily its provisions will terminate on the 1st November

1936. The chief object of this Act is to protect only agricultural lands which, but for the Act, will be sold for very inadequate prices owing to the slump in the land market. This Act applies to cases where agricultural land is sought to be sold in execution of a decree for the debt contracted before the passing of this Act and the court does not grant instalments. Under this Act the Collector shall determine the value of the land attached on the basis of profits which would accrue if the remissions in rent, revenue etc., were not in force. This means ignoring the conditions which have led to the fall in the prices of land. The value of the land would be such multiple of the pre-slump profits as the Collector determines, subject to appeal to the Board of Revenue. After calculating the value of the land attached, the Collector would calculate if the whole or part of the land attached would satisfy the decree entirely.

Under this Act the creditor has three alternatives before him. He has either to (a) take the agricultural land or amount of agricultural land so determined as the case may be or (b) to get the sale postponed till 1st November 1936, during which period the execution of the decree shall be entirely suspended and no interest for that period shall accrue, or (c) to get the whole or portion of land as determined by the Collector, sold and accept the proceeds in satisfaction the decree to the extent of the value of the land as calculated by the Collector.

*The United Provinces Temporary Regulation of Execution Act  
No. 24 of 1934.*

The fourth Act is the United Provinces Temporary Regulation of Execution Act. The object of this Act is to protect small agriculturists who do not pay more than rupee one per annum as local rate and do not follow any other profession but agriculture. The Act also includes persons who are agriculturists, agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatmen, barbers, tanners and leather workers, scavengers, basket makers, potters, midwives, watchmen, washermen, weavers, or other servants of the village community or any similar class of persons whom the Local Government may include in the list by notification in the official Gazette.

The provisions of this Act are very limited in nature. The Act does not apply to, (1) any decree passed after the commencement of this Act, or (2) any decree passed in favour of a co-operative

credit society registered under Co-operative Societies Act 1912, (3) any decree passed on the basis of a contract whereby a cultivator promised to supply sugarcane or other agricultural produce in consideration of an advance of money made in order to enable him to carry on the operation necessary for the production thereof, or (4) any decree whose decretal amount excluding future interest is less than Rs. 10 or more than Rs. 1,000 or (5) any final decree for sale where the amount required to be paid under the preliminary decree was less than Rs. 10 or more than Rs. 1,000 or (6) any decree the amount of which has been reduced under the Agriculturists' Relief Act 1934.

*Chief benefits under the Act.*

Under the Act a judgment-debtor is required to make an application to the court passing the decree on execution court within one year of the commencement of this Act, i.e., within the 30th April 1936. With this application or on some subsequent date not later than 30 days as fixed by the court, he has to deposit in the court 25 per cent of the amount due under the decree. This being done, the court shall fix annual instalments, not exceeding five, but the total amount required to be paid by instalments shall not exceed 40 per cent, if the rate of interest at which the debt was incurred exceed 24 per cent per annum, or 50 per cent if rate of interest is less than 24 per cent per annum, of the amount due under the decree. Besides this no interest shall be chargeable on the instalments. Thus the debtor saves 25 per cent to 35 per cent of the decretal money and future interest.

*The Usurious Loans Act X of 1918 as amended by the Usurious Loans (U.P.) Amendment Act No. 23 of 1934.*

The fifth Act is the Usurious Loans Amendment Act of United Provinces. This Act puts definite limits to rates of interest. In case of secured loans the rate of interest shall be deemed as excessive if it exceeds 12 per cent per annum and it shall not be deemed as excessive if it does not exceed 7 per cent per annum. Thus the two limits are fixed and the court has been vested with a discretion between 7 and 12 per cent per annum. Similarly in the case of unsecured loans upper and lower limits have been fixed as 24 per cent per annum and 9 per cent per annum respectively.

*The Agriculturists' Loans Amendment Act of 1934.*

The sixth and the last Act of the series is the Agriculturists' Loans (United Provinces) Amendment Act of 1934. This Act empowers the Local Government to grant loans to agriculturists for the payment of the existing debts. This Act will help the agriculturists to repay their debts more conveniently and it will be of great help for the purposes of the United Provinces Encumbered Estates Act.

## House-Sites for Depressed Classes.

By Mr. R. SURYANARAYANA RAO, B. A.

*Servants of India Society.*

To those familiar with the conditions under which the depressed classes live especially in rural areas, the fact that they have to depend on other classes not only for their maintenance but also for the land on which they build their houses and live, has often proved a great stumbling block for the success of any scheme of social or economic uplift undertaken for their benefit. This entire dependence on other classes has had a great demoralising effect. But their economic position is so bad that they are not able to acquire the house-sites even if they wish to and in some places no land is available except that on which they are already settled, which invariably belongs to landlords for whom they toil. When the Labour Department was organised in this presidency under the able direction of the late Sir George Paddison, one of the important items of work laid down in his scheme of ameliorative work was the provision of house-sites. He rightly realised that in order to infuse a sense of self-respect and to create in them a desire for social and economic uplift, they should at least be enabled to possess house-sites where they could build and live without being subjected to the whims and caprices of their landlords. Sir George Paddison also found that in all places Government waste or poramboke land was not available for assignment, and that if the depressed classes were to be helped to possess house-sites of their own, the lands on which they were already settled but which belonged to landlords, had to be compulsorily acquired and parcelled out to them in convenient plots. This decision on the part of Government to acquire lands for house-sites for the depressed classes was stoutly resisted by the landlords and there was litigation on that account. Thanks to the decisions of the Courts the doubt whether acquisition of land for house-sites for the depressed classes is a public purpose has been set at rest. In regard to lands acquired Government could not give away the house-sites free of cost. For the purpose of helping the members of the depressed classes who required house-sites but who could pay the cost only in instalments, in some districts co-operative societies were started while in others assignment was made directly by Government, in both cases the cost being recovered by instalments. So the two

methods which have been followed for the purpose of providing house-sites are :

(1) Assignment of waste or poramboke lands free of cost under alienation rules, requiring the guarantee to build the house within a particular period and assessment or groundrent as the case may be, being charged only after a lapse of a period of years, generally seven years.

(2) Acquisition of private lands, especially lands on which they are already living, and allotment of convenient plots for the construction of houses.

It may be interesting to know that under the scheme of assignment of Government waste or poramboke land up to the end of the years 1934-35, the total number of house-sites provided was 35,169, of which during 1934-35 alone the number provided was 1,465. The following are the figures according to districts :

East Godavari	...	9,908
West Godavari	...	690
Kistna	...	817
Guntur	...	3,543
Nellore	...	3,126
Anantapur	...	834
Bellary	...	4,736
South Arcot	...	2,808
North Arcot	...	382
Trichinopoly	...	1,220
Tanjore	...	150
South Kanara	...	6,126
Salem	...	351
Madras	...	478

---

Total ... 35,169

It will be seen from the above figures, taking into account the population of the depressed classes in each district that the number of house-sites provided is comparatively very small. But it is gratifying that a step in the right direction has been taken and those who have occasion to visit the homes of the depressed classes can observe with what pride the possession of land and house which they can call their own the members of the depressed classes refer to. Still large extents of land reserved for their use remain unassigned. The fact is that most of the land left unassigned consists of tracts which are

## HOUSE-SITES FOR DEPRESSED CLASSES

either quite unfit for cultivation or even habitation or a large amount of money is required to bring it under cultivation.

Undeterred by the opposition of the vested interests, the Government have pursued the policy of acquisition of private lands for house-sites. In regard to the lands acquired the policy of Government has been to recover the cost of acquisition in convenient instalments spread over a number of years and the assignment is made either direct to the applicants or through co-operative societies formed among the proposed assignees. The Government have also paid out of public funds the cost of land for streets and other public purposes, the assignees being required to pay only the cost of the plots assigned to them. For the past two years the Government could not allot any amount for purposes of acquisition of land for house-sites and such acquisition as has been made during this period has been in regard to cases wherein the applicants paid the entire cost of land required for their house-sites. It is unfortunate that owing to financial stringency the Government were forced to abandon this method for provision of house-sites; but it is hoped this abandonment is only for a time and it will soon be resumed. The Commissioner of Labour states in his report for 1934-35 that there is great necessity for the extension of cherais. Under the method described above particulars of house-sites provided in each district are as follows:

East Godavari	...	...	11,128
West Godavari	...	...	1,737
Kistna	...	...	3,640
Guntur	...	...	4,099
Nellore	...	...	208
Anantapur	...	...	422
Bellary	...	...	384
Chingelput	...	...	1,064
South Arcot	...	...	3,033
North Arcot	...	...	1,401
Trichinopoly	...	...	1,005
Tanjore	...	...	7,308
Kurnool	...	...	85
Cuddapah	...	...	26
Total			35,540

The depressed classes in rural areas are generally agricultural labourers who receive their wages mostly in kind and the low prices the grain fetches owing to unprecedented economic depression in recent years.



have rendered them financially incapable of repaying the cost of house-sites even in instalments. Moreover, as the Commissioner of Labour points out, in most cases lands were acquired at a time when the market value was abnormally high and owing to the fall in the present value of land, the assignees are anxious to vacate their sites rather than continue to pay the comparatively high value. Coercive processes for the realisation of instalments due have been of no avail as in most cases the amounts realised by auction sales are comparatively low. Eviction proceedings have done more harm than good for in most cases it is not the unwillingness to pay but want of ability to repay that has been the cause of accumulated arrears which are very large. In deserving cases Government have been pleased to write off interest due and to extend the period of repayment of the principal. But even these concessions seem to have had no effect. The problem how best to meet the situation and whether the Government should entirely abandon the policy of acquisition of land for house-sites, have for some time engaged the attention of Government. This subject also formed part of the agenda of the Collectors' Conference. It is encouraging to learn that the Conference was in favour of giving certain concessions to the depressed classes. In reviewing the report of the Commissioner of Labour for 1934-35, the Government have announced their decision which may as well be quoted here :

"After very careful consideration the Government have decided on a scheme by which they will bear half the cost of acquisition, subject to a maximum of Rs. 125 per acre for dry land and Rs. 250 per acre for wet. Of the balance the applicant is to deposit 50 per cent before acquisition and pay the remaining 50 per cent in a limited number of instalments, not exceeding ten, by way of equated payments covering principal and interest."

There is no denying the fact that the policy enunciated by Government marks a notable departure from the orthodox line of action and it is a great step taken to indicate that the Government are keenly alive to their duty towards the depressed classes and are prepared even to forego large amounts to promote the economic condition of the depressed classes. But there are some points arising out of the decision of Government which need further elucidation. It is not clear whether the change of policy will be applicable also to cases of acquisition in the past in regard to which considerable difficulty is experienced in realising the dues. As the change of

policy arises out of the present situation, it is hoped the decision will be applicable to past cases also. If that is so, it is just possible in some cases at least the assignees would have by now managed to pay off 50 per cent of the cost and they can therefore hope to become owners of their plots immediately. The maximum of the liability of Government fixed seems to be somewhat inadequate. It may be sufficient in areas where land, whether dry or wet, is not costly. But in delta areas where the cost of wet land is bound to be high in spite of the economic depression, the maximum provided is insufficient. It is earnestly hoped that in deserving and really hard cases the Government would be pleased to raise the maximum. Then the Government demand that one-fourth of the cost acquisition should be paid before acquisition and the remaining one-fourth could be paid in instalments. It may be pointed out that this insistence on payment of one-fourth of the cost all at once requires reconsideration. In most cases they may not be able to find the amount. The Government may be pleased to consider the question of arranging the repayment of half the cost of land in twenty equated instalments.

The Commissioner of Labour, Mr. Rutherford, who has so ably presented the facts of the case to Government and has influenced Government in giving these concessions, has placed everyone under a debt of gratitude. It is hoped he will also consider the points raised in this article and will do his best to get these concessions also, so that in a few years the economic improvement of the depressed classes may be assured.

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## Conferences.

### THE VI PUDUKOTTAH CO-OPERATIVE CONFERENCE.

The sixth Pudukottah Co-operative Conference was held on the 21st February 1936 at Viralimalai which is a village in the State with a credit society and a store.

The Conference was opened by Sir A. Tottenham, the Administrator, and was presided over by Diwan Bahadur K. Deivasikhamani Mudaliar, retired Joint Registrar of Co-operative Societies, Madras. Many prominent co-operators from Pudukottah and some from Trichinopoly attended the Conference.

#### ADMINISTRATOR'S OPENING ADDRESS.

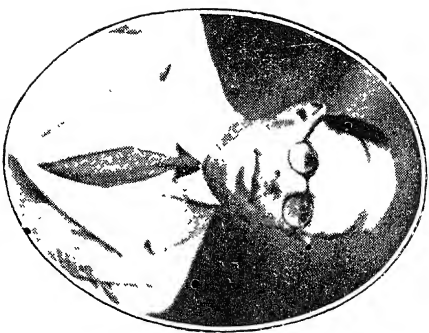
Sir A. Tottenham in opening the Conference said :—

When I was invited to open this Conference, I felt it my duty to accept the invitation in view of the great interest that the Darbar necessarily take in the growth and well being of the co-operative organisations here. The benefits—material and moral—that these institutions might confer on the people of this country are so well known to you all that I need not dwell upon them. I take it that all of us here are agreed that a really flourishing co-operative movement based on the thrift and honesty of the people and their desire to help themselves, is bound to be of immense good to the country as a whole and to the agriculturists in particular.

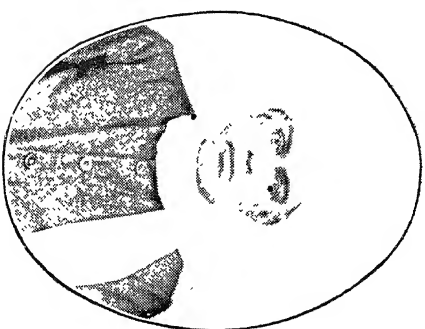
It is more than 25 years since this movement was started in our State. To-day, as you know, a large number of rural credit societies and societies of other types are not functioning properly for one reason or another, and it is but a poor consolation to be told that this state of things is by no means peculiar to Pudukkottah. It is therefore proper that co-operators should assemble together from time to time as you have here to-day, take stock of the situation, examine the causes that have caused the existing state of affairs and endeavour to concert remedial measures. Even were I competent to do so, I should not think it proper to prejudice your deliberations by telling you what in my opinion are the principal causes affecting the movement or the remedies for those diseases. You are to be congratulated on your good fortune in securing as your President to-day Diwan Bahadur Deivasikamani Mudaliar, who has been a worker in the co-operative field for over 30 years and actually guided the destinies of the movement in the adjoining Madras Presidency for many years. Under his guidance and with his advice I hope that



Dewan Bahadur K. Deivasikhamani Mudaliar, Avl.,  
*Retired Joint Registrar of Co-operative Societies, Madras,  
and President, the Sixth Pudukottah Co-operative Conference.*



Sir Alexander Tottenham,  
*Administrator, Port of Calcutta.*



Mr. G. Sundaresa Iyer,  
*Chairman, Reception Committee,  
Panjab Sahitya Conference.*

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you will be able to arrive at useful and practical conclusions as to the manner in which the movement may be reformed and stimulated, its defects eradicated, and its scope expanded. I await with interest the result of your deliberations and on behalf of the Darbar can assure you that we shall continue to do all that we can to help the movement so far as we can do so consistently with our responsibilities to the general taxpayer, and with the principle to which I attach great importance that the movement should be predominantly non-official and spontaneous. It is very necessary that members of co-operative societies should be made to realise fully that they can, if they will, gain concrete financial benefits from their membership, and that they must look for those benefits not to the public purse or the machinery of any Government Department, but to their own will to help themselves and their determination to be thrifty and honest.

It may interest you to know that the Darbar are conducting an agricultural marketing survey in conformity with the instructions issued by the Imperial Agricultural Marketing Expert from time to time. The survey of the ground-nut crop has been completed, and you will perhaps be surprised to hear that according to the estimate of the Marketing Officer, our State is exporting every year about Rs. 8 lakhs worth of ground-nut. I find that the area under this commercial crops was 45,850 acres in Fasli 1330 whereas in Fasli 1344 it was only 15,428 acres.

In the hope of increasing the area under this crop, which has declined on account of the fall in the price of the produce and of the difficulties of finance, the Darbar are considering the possibility of helping the ryots to finance the cultivation of this crop and also devising measures to enable them to find a profitable market for their produce eliminating the middle man and his sometimes false weights and measures. Similar measures may be extended to other commercial crops, such as cotton, chillies, sugar-cane and tobacco. We have also sent our Rural Improvement Officer, a Training Veterinary Assistant and two other officers to the famous V. M. C. A. centre at Martandam in Travancore to be trained in improved methods of Poultry-farming, Cattle breeding, Bee-keeping, Palmyrah Jaggery manufacture, Cashew-nut roasting, etc., and as soon as they return we hope to take practical steps mainly by intensive work in selected villages to induce the ryots to take to these profitable occupations. But it must be remembered that if this or any other scheme is to prove a success, the hearty and honest co-operation of those to be benefited by it and of their leaders is essential. Your co-operation and your local knowledge and influence can be of the utmost value in this sphere and I hope that they will be forthcoming. I will not detain you longer.

I have great pleasure in declaring the Conference open and I wish it every success.

## WELCOME ADDRESS.

Mr. G. Sundaresa Iyer, Chairman of the Reception Committee, in the course of his Welcome Address said :—

There are 154 societies in the State. Four are non-functioning unions, one Central Bank, one Institute and 13 non-credit societies. The number of members on 30—6—35 was 11,653. The paid up capital of all these societies amounted to Rs. 1,11,821. Deposits amounted to Rs. 9½ lakhs. Reserve funds amounted to about Rs. 2½ lakhs. Loans due to the Central Bank from rural societies amounted to 2,26,000 of which 9 liquidated societies owe to the Central Bank Rs. 16,211. 33 societies have been superseded and 22 societies are in a dormant condition.

The Central Bank had no difficulty for funds. It had nearly 2 lakhs of rupees which would have been with it permanently. But unfortunately there was no need. Societies failed to function, monies advanced could not be recovered. In order to avoid loss, the Central Bank returned most of these deposits. In 1932, the Department was placed under the charge of a Deputy Registrar, an able officer. He has done much to improve the position. He has inspected several societies, weeded bad elements and has inspired energy where it was wanting. He has often made several useful suggestions. He has persuaded societies to reduce interest on deposits and loans. The thanks of the co-operators are due to him for what he has done.

*Supervision.*

This is a vexed question hanging fire for years past. Mr. Satyanathan has pleaded for official control. There is strong criticism of his opinion in the "Madras Journal of Co-operation." The exponent of non official opinion, Mr. Ramadas Pantulu, has pleaded and is pleading for greater decentralisation and non-official control. Where the management becomes rotten and where there is abuse in societies certainly the department must take strong action. There is no use of preaching democratic principles then.

*The Department.*

In this State, we have at present only a handful of non-officials taking interest. Supervision has been with the Central Bank from 1931. Diaries are available and a report has been sent to the department. A deputation waited on the Assistant Administrator to settle this question. The matter is pending. All superseded societies are under the control of the Registrar. The urban societies are under his control. Practically there is no supervision for them. Official supervision *in my opinion*, will prove a thorough failure at the present stage of the movement. Much depends upon interest evinced—be he an official or a non-official. Official supervision will result in stereotyped forms and artificiality. Authority will take the place of friendly criticism. It will be mechanical.

and will be dull and uninspiring. This is my personal conviction. Diwan Bahadur T. A. Ramalingam Chettiar observes "seeing the present condition of the societies, it is very necessary that this question of supervision should be tackled and some satisfactory arrangement made in each district. I am not one who believes in any one panacea being universal. Problems as well as their remedies differ from place to place. What is good for one place or one set of institutions may not be good for others. So I would request each district to consider this question urgently and come to its own conclusion." Non-official supervision, without some sort of official control, may not also be successful at present. There must be team work; lines of work should be chalked out and there must be a board of officials and non-officials for supervision. The Board must meet monthly, review the work done by supervisors, pass their pay bills and do other things necessary to rehabilitate the movement. Supervision, Audit, Inspection—all these may have different meanings but the only work that has to be done now is the work of collection and the work of finding out how much in each society will prove irrecoverable. Government should contribute a portion of the expenses, if necessary. These are days of necessary retrenchment and I feel nervous to make this suggestion. In each society, each loan must be thoroughly examined, conciliation should be attempted, loans secured, committees formed wherever possible, societies should be grouped and placed in charge of competent persons.

*Agricultural relief.*

Everywhere we find legislation, drastic and mild, to give relief to the agriculturist and to relieve him from the burden of debt. Mr. Satyanathan has suggested the passing of the "Debt Conciliation Act" which is now made law in the Madras Presidency. Travancore and Cochin have appointed committees whose reports are under scrutiny. In this State also, an agricultural relief committee has been appointed and it has begun to function. On a careful reading of the reports, the acts and the Bavanagar scheme, blessed in several quarters, I find that there is a unanimity of opinion with regard to some points. There should be conciliation on a voluntary basis between the creditor and the debtor. A creditor who is ready and willing to receive a portion of his debts in full satisfaction of the claim must be paid his dues. There should be a net work of land mortgage Banks with money to be repaid in 20 to 40 years at cheap rates of interest. The agricultural loans act should be amended to enable the Government to advance money to agriculturists for discharge of prior debts etc. A simple rural insolvency law should be enacted. Immunity from arrest should be granted to the agriculturist not guilty of fraud. Subsidiary occupations should be found for agriculturists who should learn thrift. Our Committee has just begun to function. But I am afraid that, unless the Government appoints a



separate officer with establishment for this work, no work is possible in the near future. It is a physical impossibility. So far as I have been able to see, the only thing that is feasible is to study the debt problem and to start a Central Land Mortgage Bank whose debentures must be guaranteed by the Government as has been done in other provinces and Cochin State. Any drastic legislation will not yield any beneficial results but will only make the position of the ryot more difficult. What form Land Mortgage Bank should take and whether the Land Mortgage Bank in the State, with scanty rainfall and no rivers, will work, is a question, that must carefully engage the attention of this conference and the Government.

*Registration fees, Audit fees and Execution fees*

The recent rule levying half the registration charges has created some stir. In these days of retrenchment, it is unfair to ask the Government for more and more concessions. But it appears to me that, so far as rural societies are concerned, the concession originally granted may continue. Several societies are liquidated and several have been superseded and several are awaiting that stage. In these societies, loans have to be secured on mortgage of immovable property. Encumbrance certificates have to be obtained and it is a real hardship if the concession is withdrawn in the manner it has been done at present. The loss to the Government is very little and I would appeal to the Government to examine the question and to give exemption to such societies as may be recommended by the Registrar.

The question of audit fees has been engaging the attention of the department and if fees have not been levied hitherto, it is only due to the sympathetic attitude of the Administrator. The department was alert. It copied the Madras rule. In Madras there was a strong agitation against the levy and the fees have been reduced. Travancore and Cochin are just now thinking of this levy. In this poor State there are only 5 or 6 societies which can come under this category. It is said that Reserve fund should not be taken for establishment charges. I do not know on what principle, it should be taken into account for purpose of audit fees. After all, a competent Inspector on Rs. 40 to 60 can certainly audit these societies. It is such an officer that has been doing the work carefully and well all these years. The Government should not think of making a profit on this item. At the recent session of the Madras Legislative Council, I believe, the Government pointed out that the money collected was only enough for actual expenses. The Travancore Committee have recommended that no audit fee should be levied from the smaller limited liability societies also. The Government should take a generous view and should not levy audit fees and introduce a rule for the sake of 3 or 4 societies. If an audit fee is decided upon, it must be enough to cover

the actual expenses and the Government should not think of making a profit out of the bargain. The scale fixed is arbitrary, unduly high and will be a real hardship. I appeal to the Government to study the question if and when the matter comes up before them for consideration and hear what we have to say on the subject before passing any orders.

We are fortunate in that, our sympathetic Government have not levied fees for execution. Had fees been levied, the result would have been disastrous. The department will only be another Civil Court with its concomitant disadvantages without any corresponding advantage except that it may bring a small revenue to the Government. While I fully appreciate the other point of view, I submit that this is not the time for such levy.

In conclusion he made the following suggestions :—

(1) The question of supervision should be settled once for all in the manner suggested if real success is to be achieved. The Registrar is to be "the friend, philosopher, and guide."

(2) A liberal grant should be made to the Institute in order to enable it to carry on an effective propaganda.

(3) The services of competent non-officials should be utilised. Two or three persons may be appointed as Honorary Assistant Registrars to dispose of all arbitration work and help the Registrar in office work if feasible.

(4) Groups of societies may be placed in charge of paid clerks, when sufficient men for management are not available. Amalgamation should be attempted.

(5) The Central Bank may be permitted to advance money on pledge of produce either directly or better a central marketing co-operative society may be tried as an experiment. Government should grant necessary facilities.

(6) A land mortgage Bank may be started, if Government guarantee principal and interest for its debentures. Loans advanced should be limited. 2 or 3 areas should be selected as an experimental measure. Only creditors willing to come to reasonable conciliation should get their dues from their debtors offering adequate security.

(7) The law must be modified so that the liability of members who join a rural society just for the purpose of helping it without incurring any liability as principal or surety may be made limited.

(8) The Regulation should be suitably modified, on legal advice, so as to make the law of limitation clearly inapplicable to arbitration proceedings and executions.

(9) Power should be taken again to enforce unlimited liability even before liquidation.

## PRESIDENTIAL ADDRESS.

Mr. Deivasikhamani Mudaliar's address was informing and interesting as it contained his views formed after an experience of nearly thirty years. The following are extracts from his address :—

*The present condition of the movement.*

The co-operative movement in the whole of India is now passing through a crisis. The faults committed by persons at the helm of affairs of societies either deliberately or out of ignorance and the widespread economic depression have brought the movement to this critical condition. The fall in prices of agricultural produce has hit hard the agriculturist, and he does not get enough income at present. After the Great War prices of produce rose very high and the increased income which the ryot got raised his standard of living. He learnt to spend liberally. But when the prices have gone down now he finds it difficult to make both ends meet. He is unable either to cut down his expenses or to pay his debts. When he was in affluent circumstances he freely borrowed. But when suddenly there is a fall he is in a fix and is unable to repay his loans. The value of his land has fallen considerably. His land is valued now only at one half or one-third of its value five years ago. There are no buyers even at this price. When I was acting as Registrar, I once received a petition from a borrower of a rural society to the following effect :—

“When the prices of lands and of produce were high I raised a few loans from the co-operative society in my village. For the first two or three years thereafter I was paying the loan instalments regularly. During the past two or three years the value of land and the prices of produce have gone down and it is no longer possible for me to pay my dues to the society. There are no purchasers for my lands even to the extent of the moneys due to the society. I am anxious to get rid of my debts. You will please, therefore, ask the society to take my lands in full settlement of its claims.”

I was very much pained to read this petition and it opened my eyes to the piteous condition to which the ryot was reduced on account of the depression. It is only after this that I took steps to give whatever relief that a Registrar could give to the members of co-operative societies. The ryot in the Pudukkottah State has been equally affected by the depression as elsewhere. It is no wonder that the co-operative societies here are in no better condition than in other parts of India.

As elsewhere in India, there has been a set-back to the progress of the movement in Pudukkottah. On 30th June 1930 there were 119 village credit societies with a working capital of five lakhs and sixty-one thousand rupees. But on 30th June 1934 there were only 102 societies with a capital of four lakhs and eighty thousand rupees. There has been

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a progressive fall in the borrowing by societies year by year. The loans due by societies consequently fell from 3'42 lakhs of rupees to 2 lakhs of rupees on 30th June 1934. The overdues of members have on the other hand increased. The percentage of arrears to demand in regard to principal in rural credit societies was 71 on the 30th June last. The condition of the movement is not however beyond redemption and there is yet hope of revival.

### *Defects in the working of societies.*

The defects found in the working of societies seem to be common to societies all over India. From a perusal of the annual Administration Report of the Registrar of your State and of the notes furnished to me by the authorities to the Pudukkottah Institute, I find that the societies in the State are suffering from the same disease as elsewhere. The greatest mistake which the societies committed is, in my opinion, the transfer to themselves freely of all outside debts of their members. No thought was ever bestowed on the repaying capacities of the borrowers nor on the sufficiency of the periods permitted for repayment of loans. The result is that there are at present in societies a very large number of loans which cannot be repaid out of income within periods which the Central Bank can give. I shall have something to say about 'prior debts later but I shall say this much now. Much harm has been done to the movement by allowing societies to take over the prior debts of their members. Another serious defect which has affected the societies is what is called a "benami loan". You all know what it is. It is a loan taken by one to accommodate another. A person resorts to this type of loan either to escape the odium that he has taken the largest amount from his society or out of necessity, having exhausted his maximum borrowing power. Do you know to what extent members of societies go to hide the truth in these loans. At the auditor's verification to queries of inspecting officers and before the arbitrators passing awards the nominal borrowers stoop to accept the liability for the loan. But when the decrees are sent up for execution they come forward with the truth. It is only at this stage that the bonds of friendship, relationship or whatever it be that exists between the nominal and the real borrowers give way. If co-operators stoop to hide truth even at the stage of passing a decree how can co-operative societies thrive at all? In the case of a benami loan the test of repaying capacity cannot be applied nor can the use to which such loan is put be ascertained. By the grant of benami loans influential individuals or groups of individuals are benefited at the expense of the general body of members and in nine out of ten cases the benamidars are hopeless defaulters with the result that societies cease to function. The other defects which are found in societies you all know and I need not enumerate them. I have

pointed out only the above two defects which are mainly responsible for the present condition of the movement.

*Prior debts of the ryots.*

It is now 32 years since the movement was introduced in this country. It is freely said that the movement has failed and the original object with which it has been introduced has not been realised. The agriculturist is not relieved of his indebtedness to any large extent and that the benefits which were expected of the movement have not been achieved. It is no doubt true that the ryot has not been relieved of the burden of his debt. But the co-operative movement is not at all to be blamed for this. I admit that the movement was introduced into the country as a result of prolonged discussion as to how the problem of indebtedness of the ryot should be solved. But we have to consider whether the Act X of 1904 ever contemplated that societies registered under it should take over the prior debts of their members in their entirety and allow them to pay the debts in small sums. After the Act came into force, except societies in the Madras Presidency, societies elsewhere in India endeavoured to issue only short term loans and never tried to disburse loans for long periods sufficient to pay the outside debts. Even in Madras in the beginning, societies gave only loans repayable in one to three years. Later, for some time, they issued loans repayable in periods ranging from two to eleven years and thereafter issued loans repayable in periods not exceeding two to six years. The co-operators are not unaware of the fact that it is quite impossible for a ryot whose prior debts are large to repay his loan to his society out of his income from land in the time allowed to him. But you may ask me to what extent village co-operative societies were expected to assist the ryots in relieving their indebtedness. It is this. If he is given timely loans for agricultural purposes, such as purchase of seed, manure, cattle and for holding up produce for a better market, at reasonable rates of interest, he may till the soil in time, adopt the latest improved methods of cultivation and increase the yield of his lands. He may then be able to set apart a part of his increased income towards the repayment of his old debts. This is what is expected of the village credit societies. There is however the fact that the working of the societies during the last thirty-two years has not resulted in reducing the indebtedness of the ryot on any large scale. Although it cannot be denied that many societies gave timely loans to their members for agricultural purposes, the loans taken by ryots for agricultural purposes were not large compared with the amount required for such purposes. The ryots were keen only in taking loans for discharging their old debts. When loans were given for paying off prior debts, the period for the repayment of the loans and the rate of interest thereon were fixed not with reference to the income from land but with

reference to the prevailing market conditions. Societies, though they issued loans with interest at  $9\frac{3}{8}$  per cent, were actually collecting interest at  $12\frac{1}{2}$  per cent, owing to default of payment on the due date. You will all agree with me that it will be very difficult for a ryot to get an income from his land which will enable him to pay  $12\frac{1}{2}$  per cent, interest on his borrowed money for payment of old debts. Before the advent of co-operative societies the ryots were no doubt paying interest on their loans at rates ranging from 24 to 48 per cent. The reductions in the rate of interest in co-operative societies helped the ryots to retain their lands for a longer time. What I mean is this. If a land had to be sold to pay off a debt borrowed at 24 per cent after 8 years the co-operative society helped him to retain the land for 16 years by charging a lower rate. You may ask me that if the co-operative societies cannot help ryots very much in the redemption of their prior debts what else can be done for relieving them of their indebtedness. It is not easy to answer this question. It is only an increased income that can save the ryots from his old debts. An average ryot does not contract prior debts by extravagant living or by spending too much on ceremonies. An experiment is being conducted in a district in Madras where loans are given only for ascertained cultivation expenses at so much per acre. It is found that at the end of each season that many borrowers are not in a position to pay the whole of the money lent. Some amount is left over and this is, if not paid even at the end of the subsequent season, will accumulate as a prior debt. This experiment has so far demonstrated that the income of the ryot is not at present sufficient to make both ends meet. Unless his income is increased, even a long term loan may not be of much use for payment of old debts. When the co-operative movement was started in the Coimbatore district, the ryots of those villages where co-operative societies were organised were head and ears over in debts. Later, the Agricultural Department introduced the cultivation of Cambodia cotton in the district. As the yield of this variety of cotton was great and as the price was also high, it was found that the ryots got rid of their old debts and were becoming prosperous and thatched roofs were replaced by tiled roofs. But when the price of cotton fell down again the ryots once again fell into debts. I emphasise, therefore, that if one wants to be rid of his debts, he must increase his income. For the increase in income, the ryot must have increase in yield of the produce and a fair price for the produce. He must have the best variety of seeds and also timely loans for agricultural purposes. He must adopt the latest improved methods of cultivation. He must have ample facilities for selling his produce at a fair price. The ryot must have easy means of communications for transporting his produce. Every village must be connected by a good road with a market centre. The ryot must have an assured income and for this he should not depend upon rains alone. Irrigation facilities should be available to

him. He should be protected against the import of foreign agricultural produce. If the ryot is not able to pay off his old debts even in spite of all these facilities, other reliefs should be afforded for the conciliation of his debts even as the Madras Legislature has recently passed an Act for that purpose. A periodical adjustment in this way will perhaps be necessary.

*Inspection, Supervision and Audit.*

Many of you are aware that in Madras and in other parts of India much discussion was going on for a long time and is going on still about the question of the proper agency for the supervision of co-operative societies. But this question need not trouble the societies in the Pudukkottah State which number only 125. A financing bank has the inherent right to inspect a society indebted to it. If according to this right the Pudukkottah Central Bank were to take over the supervision of societies no one need be sorry for it. In the United Provinces, the Central Provinces and Bengal, the supervision of societies rested with financing banks from the very beginning. In Madras, on the other hand, both the systems—supervision by local unions and by central banks were tried simultaneously, one in certain districts and the other in other districts. But later on, in all districts this function devolved on the supervising unions. Mutual supervision, *i. e.*, supervision by unions, can be effective only under normal conditions. If on account of the world wide depression and other causes, loans in societies have become frozen, mutual supervision would certainly fail. This is what has happened. To make the supervision effective, central banks have now been associated with supervision. Supervision in Madras is now carried on jointly by the unions and the central banks. The recruitment, training, posting and control of supervisors are now with the central banks. They review the diaries and pass orders on the inspection reports of supervisors. But the supervisors work immediately under the direction of the supervising unions. Their diaries and reports go to the central bank through the unions. The latter are thus kept informed of what is being done by the supervisors and they offer suggestions for improving the work of societies. If central banks do so much, where is the need for unions? For the efficient administration of village societies local knowledge and help is essential. The money lent to the villagers can be recovered easily only with their help. Nothing can be done in a village without the help of the villagers. In a certain district in Madras, the central bank urged the abolition of certain unions. It was decided at a conference of the leaders of the district that those unions should be abolished but before they were actually abolished, the central bank requested the retention of the unions, for in the mean-while, it found local help was reluctant to the forthcoming. It has therefore been found by experience that the supervision by the central bank with the help of

the local union is the best type of supervision. It cannot be said that inadequate supervision alone is responsible for the present condition of the movement. In Northern India where the central banks have been in charge of supervision from the very beginning, why is it that the movement is not better than what it is here? The truth is that the supervising agencies cannot replace the managing agencies of societies. Supervisors cannot manage societies. They can only offer advice, assist in preventing abuse but cannot do the work of panchayats themselves. If panchayats who know their duties and responsibilities deliberately abuse their position, it cannot be effectively prevented. You may close the society for this reason but the mischief is already done. Therefore supervision alone may not bring about the reform necessary in societies. The panchayatdars must realise their duties and responsibilities. The general body of members must realise their responsibilities and make the panchayatdars realise theirs. The panchayatdars should feel that their work is being watched by the general body of members and there is the village public opinion which they should respect. If the general body of members were to have any real control over panchayats, the general level of their education should be raised. Till this happens the greedy panchayatdars will use the societies for their own selfish ends. We find that societies composed of educated members controlling the work of panchayatdars have generally been managed well. We cannot however keep quiet till the general body of members learn their work. As loans had been granted indiscriminately without reference to the repaying capacity and worth of the borrowers, the overdues were increasing year by year and the entire outstanding loans have become overdue in several societies. The central bank which has lent the money cannot afford to keep quiet and it must be given all facilities to recover its dues. Let it take over supervision entirely in its hands for there is no better agency than that at present.

As regards the question of audit it is well to leave the work to the Government, when they have undertaken to do it. For, Government audit increases the confidence of the investing public in the movement. Apart from it, it cannot be denied that it is a sound principle to entrust the work of audit to an independent outsider and when Government undertakes to do it, no objection need be raised. In regard to supervision, it should be left entirely in the hands of societies here in Pudukkottah in charge of the Central bank. When non-official supervising agencies do not do their duty, Government should step in and induce them to do their work. If in spite of that, supervision collapses, Government should take over the supervision themselves.

#### *Co-operative Education.*

Members of village societies should thoroughly understand the principles of co-operation if societies are to work successfully. They



should know that there is a difference between borrowing from a sowcar and borrowing from a co-operative society. In a co-operative society persons who are subject to the same disability or difficulty or who are anxious to achieve a common good object join together and try to rid themselves of the difficulty or to achieve the common good purpose. They should be alive to the fact that the other members are likely to be affected adversely if they do not individually discharge their duties properly. Members of monthly chit funds conducted in our country have understood this principle. But members of co-operative societies have not understood it. In a village no person will join a chit fund unless he is sure he can pay the periodical subscription. But in a co-operative society he takes a loan easily. The reason is his ignorance of the principles of co-operation and the limitations of his society. The villager should know the principles upon which the society in his village works and the possible good that it can do for him. The persons in charge of the movement should din these principles into the ears of the members of co-operative societies from time to time. This should be done by the periodical holding of co-operative classes in villages.

It is also necessary that the supervising staff should have adequate training in the principles and practice of co-operation from time to time. You might have known through the newspapers that the Government of India have asked the local Governments to pay attention to this aspect of the matter. I consider that in the present condition of the movement in your State it is necessary to take up the work of co-operative education without loss of time.

The following are some of the resolutions passed at the Conference :—

### RESOLUTIONS.

A condolence resolution touching the death of Mr. Radhakrishna Aiyar, Retired Dewan Peishkar, who evinced keen interest in the movement in the State, both during his term of service and even after retirement was adopted.

The conference while thanking the Durbar for the help they had rendered to the co-operative movement prayed them to continue to evince the same sympathetic interest throughout.

The conference opined that the levy of execution fees, if in contemplation, would result in setting up a parallel Civil Court, with its attendant disadvantages, and requested the Durbar not to levy any fees for execution, at any rate for a period of ten years.

The conference urged that it was desirable that a land mortgage bank analogous to one in the Madras presidency be started and that the central bank be asked to approach the Government to take the necessary steps in that direction and that the question be referred to the Agricultural

Relief Committee, appointed by the Government for taking necessary steps.

The organisation of cottage industries on a co-operative basis was urged in another resolution and the conference requested the Durbar to instruct the Rural Development Officer to organise such societies, in suitable areas after his return from training. A resolution was also passed that the practice of imposing penal interest on defaulters, must be discontinued.

To spread the co-operative principles among women, the appointment of two lady honorary organisers was urged by the conference.

### FIFTEENTH CENTRAL BANKS' CONFERENCE.

The following are the resolutions passed by the Fifteenth Session of the Central Banks' Conference held on Saturday the 21st and Sunday the 22nd March 1936 in the premises of the Madras Provincial Co-operative Bank, Ltd., with Dewan Bahadur T. A. Ramalingam Chettiar in the chair.

1. This Conference is unanimously of opinion that there was no valid cause for the amendment passed recently to section 43 of the Co-operative Societies Act, sub-section 5 (ii) changing "concurrence of the Provincial Bank" to "consultation with the Bank" and the reasons given therefor are not correct and that the old state of things should be restored.

2. This Conference was surprised at the rules framed by the Government under section 65, empowering the manager or his nominee to represent the superseded bank on the management of the financing bank and requests the Government to delete this provision and provide for the representative to be elected by the general body.

3. This Conference is of opinion that the supersession of the Committee under section 43 does not involve the supersession of the general body and it should be called in the usual course.

4. This Conference is of opinion that in all cases of supersession of central banks the agency to take the place of the Committee shall ordinarily be a council of three or five members nominated by the Registrar.

5. If the societies affiliated to a central bank, whose Committee is superseded, require financial accommodation, it is desirable, in the opinion of this conference, that the provincial bank should finance them direct with the Registrar's permission during the period of supersession, and transfer all such new business to the central bank, as soon as its Committee is restored.

6. This Conference is of opinion that the present policy of the Department in regard to the diversion of substantial portions of the profits earned by the central banks to bad debt reserve is not sound and

that it operates to the prejudice of the societies which are working well and contribute to the profits of the central banks and therefore resolves that where the profits are sufficient to provide a dividend of not less than five per cent, provision should be made for such dividend and the balance alone be diverted to bad debt reserve.

7. This Conference is of opinion that in order to develop loan and sale societies, central banks should be helped to erect godowns in suitable localities where there is scope for development of business and urges on the Madras Provincial Co-operative Bank the desirability of raising long term money by the issue of uncovered debentures, if necessary.

8. This Conference is of opinion that under the present conditions, it is desirable to have uniformity in regard to the method of constitution of the Boards of Central Banks, and therefore, resolves :

(i) that the proportion of individuals to society-representatives on the Board should be 1 : 2 ;

(ii) that the representatives of individual share-holders should be elected by the individual share-holders themselves at a meeting of their own ;

(iii) that the representatives of the societies shall be elected by the general bodies of unions or groups of unions as the case may be.

9. This Conference resolves that the letter dated 20th Dec. 1935 from the Registrar of Co-operative Societies inviting the opinion of the Provincial Bank on the suggestions made by the Joint Registrar in regard to a " Trustee Bank for Clearance of Debts " be circulated to the Central Banks for favour of opinion.

10. In view of the Joint Registrar's assurance that the matter will be looked into, the consideration of the Registrar's Circular D. Dis. A. 1688 36 dated 2nd March 1936 suggesting an amendment to the by-laws of central banks relating to the election of members of the Board of Management be dropped.

11. At present central banks are not assessed to profession-tax on a uniform basis. Some banks are assessed on the net profits and others on the interest earned on certain items of the investments and miscellaneous income such as commission, entrance and transfer fees. It is therefore resolved that a uniform procedure of assessing central banks, only on the interest on securities held by them and miscellaneous income may be recommended to the Local Government.

12. As per recent G. O. on the subject, central banks should not treat the undrawn portion of cash credit granted by the Provincial Bank as fluid resource to meet the liabilities due to the public. It is a great handicap to central banks. Most of the central banks fail to maintain the requisite standard of fluid resource in part A of the statement on account of this restriction. It is therefore resolved to request the Local Government to revise the order contained in G. O. Mis. 1488 dated 29-10-1934.

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13. This Conference resolves to request the Imperial Bank of India to grant overdraft accommodation to central banks on the security of the debentures of the Central Land Mortgage Bank.

14. Resolved to request the Local Government to increase the limit of the deposits that central banks may accept from Local Bodies to one-half of the total borrowings. Further resolved that the Registrar be requested to remove the restrictions imposed by him viz., that no fresh investment exceeding Rs. 5,000 be accepted by the central banks without his previous sanction.

15. Resolved that the Government be requested to reduce the audit fees payable by the societies by 25 per cent and that power be given to the Registrar to reduce the amount still further in fit cases.

16. This Conference views with concern the whittling down of the concession of free transfers by narrow interpretation of the rules governing issue of free remittances and requests the Registrar to see that a broad interpretation is given to the rules governing the same.

17. This Conference feels that the Judgment of Cornish J. reported in 70 M. L. J. 31 vitally affects the position of awards in the societies and requests the Government to amend the Co-operative Societies Act suitably.

18. Resolved that in future three meetings of the Board of Management of the Provincial Bank be held every year.

19. In as much as that Rule XVIII of the rules made under the Co-operative Societies Act is mandatory, and the office bearers cease to hold office automatically, the Registrar be requested to register a by-law authorising the financing bank to convene a general body of the society as and when a deadlock in the administration of a society is created.

20. Resolved that where the societies have no dues to financing banks and when the Registrar and the Committee of the financing bank agree, a portion of the share capital may be refunded to societies.

21. Resolved that the Registrar be requested to increase the staff available for non-credit work and distribute their services according to the number of societies and transactions in each area.

22. The Registrar, who is the convener of the Sub-Committee of the Provincial Economic Council dealing with co-operation, has asked the Madras Provincial Co-operative Bank and the Madras Provincial Co-operative Union for their views on Mr. Satyanathan's Report on Agricultural Indebtedness.

This Conference resolves to adopt the memorandum appended hereto (See Appendix) and to communicate the same to the Registrar and the Provincial Economic Council.

## APPENDIX

## MEMORANDUM

ON

MR. SATYANATHAN'S REPORT ON AGRICULTURAL INDEBTEDNESS.

## I. Remedies for Agricultural Indebtedness.

The report of Mr. Satyanathan deals primarily with 'Agricultural Indebtedness' to which the terms of reference mainly relate. The question of the facilities which are now afforded by co-operative societies and land mortgage banks to agriculturists is one which is incidental to the main theme of enquiry. The report is divided into two parts; the first part deals with agricultural debt, its causes and effects and the second part deals with remedies for rural indebtedness. The discussion on the Co-operative movement falls within Part II. It is not necessary to deal with Part I of his report, which is devoted to the ascertainment of the volume of agricultural indebtedness, its causes and effects. He estimates the total debt of the province at Rs. 200 crores and on an investigation conducted in 140 select villages, he arrives at an estimate of the debt per head of population at Rs. 38, per family at Rs. 194, per acre of occupied land at Rs. 63 and per rupee of assessment at Rs. 21. No investigator can claim accuracy for such computation. The Bowley and Robertson Committee's report condemns the computation of national income or debt by the method of multiplying figures collected for typical villages instead of in villages selected by random samples. There are other infirmities in regard to these inferences. Too much is made, for instance, of the theory that "debt follows credit", though it is incontrovertible fact that dire necessity is a frequent cause of debt and that agriculture is not a profitable business. Again, the Special Officer's assessment of the income per head of population is apt to be questioned by economists on the one hand and by administrators on the other, particularly in respect of the allowance for the cost of cultivation. In regard to factors like the system of money lenders, the malpractices of middlemen, lack of marketing facilities, litigation etc., it is conceded by the Special Officer himself that it is impossible to assess correctly the proportion of indebtedness due to each, even after an elaborate enquiry. It is not necessary for formulating immediate measures for relief of agricultural indebtedness to arrive at exact figures under each of these heads. It is generally conceded, as the officer says, that the volume of indebtedness is heavy and it is mounting up rapidly by the accumulation of high rates of interest in spite of the fact that land is passing from debtor to creditor in satisfaction of his debts. The part of the report which is of more immediate interest to us in Part II which deals with remedies for agricultural indebtedness.

The Special Officer rightly lays emphasis on the need for increasing the earning capacity of the ryot if he is not to relapse into indebtedness as the main line of remedial action. He suggests some steps that the Departments of Agriculture and Industries may take to improve the income of the cultivators. With regard to the Agricultural Department, he suggests *inter alia* the following: (1) An Agricultural Demonstrator for each *firka* to do propaganda among farmers and to impart agricultural knowledge; (2) Measures for increasing the stock of cattle at the disposal of the farmer; (3) Promotion of subsidiary occupations like poultry and bee-keeping; (4) The transfer of the grant of takka and loans from the Revenue to the Agricultural Department; (5) Devoting as much attention to marketing as to raising of crops; and (6) The starting of agricultural associations for carrying on propaganda and education and to form societies for collective co-operative farming. In regard to the Department of Industries, he suggests: (1) The grant of full and free permission to exploit all waste products such as those of sugar factories; (2) Exploring possibilities of foreign and home markets and finding outlets for absorption of

articles manufactured in India particularly in cottage industries ; (3) the protection of cottage industries particularly handloom weaving, from predatory activities of the middlemen ; (4) Giving precedence to the claims to departmental plants to agriculturists and small scale industrialists, over other interests, in the engineering section of the Department. These and other measures seem to us to be calculated to help the agriculturists and the Governments say on those and other cognate recommendations is eagerly expected by the public.

In dealing with the causes of indebtedness, the Special Officer has touched upon the delicate and vexed question of land revenue and said that on ryotwari land 25 per cent of the net profits in normal years is all that was needed to pay it, while on Zamindari land twice as much is needed, it might not be a major cause of indebtedness in a normal year. In another part of his report he states that land revenue is rather heavy, especially in bad years, but any reduction would mean less money to the Government to spend on the people, as though the ryots are now getting any considerable return for what they pay. These are conclusions which will not be accepted by the people. On the other hand, the general view is that a substantial reduction in the land revenue is urgently called for.

Coming to remedies, on which there is less scope for controversy and which lend themselves to immediate legislative and executive action the most important remedies suggested are : (1) Scaling down and conciliation of debts ; (2) Registration of money-lenders and regulation of money-lenders' accounts ; (3) Amendment of the Usurious Loans Act so as to declare all compound interest on loans to agriculturists as usurious, and to give greater freedom to Civil Courts to relieve debtors from excessive claims for interest ; (4) Amendment of the Civil Procedure Code in order to (i) ensure the application of the section empowering courts to give instalments to debtors with greater frequency and sympathy ; (ii) wipe out personal liability under mortgage decrees ; (iii) postponement of action against sureties until after all remedies against principal debtor are exhausted ; (iv) Prohibiting the decree-holder from purchasing judgment debtor's property except for reasonable value to be fixed by the Court after due enquiry ; and (v) the abolition of civil imprisonment for debt.

The interest in the portion of the report dealing with scaling down and conciliation of debts which is very informing and well argued is now shifted to the debt conciliation Bill of Dewan Bahadur T. A. Ramalingam Chettiar, which has now been passed into law by the Madras Legislative Council and it is perhaps too soon to discuss how far it should be amended. We have now to deal with the Bill as finally passed by the Council and not with the recommendations of Mr. Satyanathan. He himself has no illusions about the lasting efficacy of a debt conciliation measure which can only be a temporary expedient to tide over the difficulties of the depression. We have our own doubts of even the immediate effect of such an innocuous measure which permits a cantankerous set of creditors to resort to courts, with no other risk than that of losing costs even after the Board has given its considered decision. However, as the Government of Madras has come forward with a scheme to lend to agriculturists sums up to Rs. 2,000 at 5½ per cent for 25 years in cases where the debtors are able to come to an understanding with their creditors and as the operations of land mortgage bank are also proposed to be linked up with the operations of debt conciliation boards, it may be hoped that some measure of relief, however small it may be, will be afforded. The Special Officer has not, however, dealt with the part which the co-operative organisations (other than land mortgage banks) can play in working schemes of debt conciliation—an important omission. On the related remedy of protection to agriculturists against the consequences of indebtedness, the Special Officer deals with the question whether there is need for any *Land*

*Alienation Act* in the Madras Presidency. We are of opinion that he is quite right in holding that there is no need for such Act in this province, where there is no well marked agriculturist class as such. As regards the registration of money-lenders and regulation of moneylenders' accounts, he is for compulsory registration of moneylenders who make a, "regular business" of it though the term, in our view, is a little too vague. He also wants a measure that will compel every creditor to render a full statement of account to each of his debtors, asked or unasked, as in the Punjab. We are in general agreement with these recommendations. We are also in agreement with the Special Officer's recommendation for a fuller use of the Usurious Loans Act by the Courts and for the adoption of the rule of *Dandupai* as in Bombay, by which no Court shall decree a larger sum than twice the principal sum lent originally. As regards the amendments suggested to the Code of Civil Procedure, they appear to us to be just and reasonable and are calculated to give some measure of relief to the indebted agriculturists.

#### The Co-operative Movement.

We now come to the chapter on Co-operation. It is on this subject that the Special Officer is least convincing and informing. No new facts or figures have been collected and presented, unlike in other sections. He has relied too much on hear-say evidence and drawn too much from his own imagination. He is frank enough to confess his ignorance of the theory of co-operative credit and the extent of State control over co-operation in other countries. But he seems to lay down the law for co-operators in this country from his very limited experience.

He starts with a historical retrospect of the Movement and deals almost exclusively with the defects that have crept into the Movement during the decade of expansion—1917-1927—and the causes of its failure. The Special Officer makes no mention of the essential elements in the financial structure of the Movement and naturally expresses his wonder that "the Movement has weathered this depression as well as it has done" and says that "it is a matter for congratulation that it has not collapsed." If the Special Officer was of opinion that the Movement achieved a banking miracle or that it was due to a mere accident and good luck of the creditors and depositors that it weathered the financial storm, he was apparently speaking without much knowledge of the manner in which the foundations of the Co-operative Credit Movement were laid, how its superstructure was built, what steps were taken from the very commencement to build up substantial share capital and adequate reserve funds to enable the Movement itself to absorb any possible financial shock, how the volume, sources and interest rates of deposits were regulated, the stringency of the standards prescribed for fluid resources required to be maintained by the financing banks and the strict insistence on those standards being observed, the close relations established between the Central Banks and the Provincial Bank as integral parts of a well knit co-operative organisation, the very strong position occupied by the Provincial Bank as a financing agency and balancing centre for the entire movement and several other essential financial features of the Movement—features to which the credit structure owes its strength and power to withstand the economic shock. The report bears ample evidence of absence of knowledge on the part of the Special officer of these and many other financial features of the Co-operative Credit Movement in this province.

#### Two Fundamental Reforms.

The Officer is out for a drastic reform of the Movement and his fundamental recommendations in this connection are twofold. *Firstly*, the elected non-officials who manage the financing institutions should be representatives and mouth-pieces

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of the section of the public who furnish the credit, i.e., of the creditors and depositors. *Secondly*, the entire work of supervision of societies should be immediately transferred to the Co-operative Department, the Registrar being vested with the sole power to appoint and dismiss supervisors. In another connection, he also says that the Registrar should have power to dismiss members and officers of the societies, whom he comprehensively calls "men." These two measures, according to him, will attract not only "honest and upright men who are now hanging back" but also "a great volume of money." The Special Officer evidently thinks that honest and upright men and money are not coming into the movement, because it is not subjected to control at the financial end by the creditors and investors and at the supervision end by the Government. It is hardly worthwhile taking any serious notice of these recommendations, for they are so radically opposed to the very fundamentals of co-operation. A movement controlled by money-lenders at one end and by the Government at the other has absolutely no claim to be called a Co-operative Movement.

The Special Officer is evidently of opinion that supervising unions should be abolished. He does not show any acquaintance with the history of the supervising unions or the district federations in this province. He says that the supervision of primary societies has been relegated to non-officials fifteen years ago and that their subsequent history is "nothing but a tale of woe." He does not say in whose hands the supervision was before it was so relegated to non-officials and how it fared in the hands of those who held it originally. A perusal of the evidence given before the Townsend Committee shows the circumstances under which the Department in whose hands supervision was till then, shifted it on to non-officials. Non-official co-operators have not been unmindful of the virtual breakdown of the supervisory agency in some localities and its extreme weakness in other localities, while in certain areas the supervising unions have been and are working well. The question was seriously dealt with at several conferences and gatherings of co-operators with a view to formulate remedial measures. The Provincial Co-operative Union and the 21st Madras Provincial Co-operative Conference dealt with the question fully. As a result of these numerous deliberations, the following measures of reform had been adopted. (i) Where the Unions and Federations are working properly it was decided to help and encourage them to grow stronger. (ii) Where they were very weak and not functioning properly, it was resolved that steps should be taken to liquidate lifeless ones and to amalgamate the smaller ones into larger ones and to reduce the size of the governing bodies of unions to effect retrenchment and find adequate financial resources for the reduced number of unions. (iii) In areas where there was utter breakdown of the supervising unions, it was decided that the financing banks should take up supervision and should have the power of appointing and controlling the work of the supervisors. These measures are being worked with varying degrees of success in the several parts of the province and non-official co-operators who have been trying to do their best are watching the result of these measures and are fully alive to the necessity to review them from time to time and to modify their policy in accordance with the requirements of the situation. •

We are, therefore, unable to agree with the recommendation of the Special Officer that the entire supervision should be transferred to the department. We not only consider that such a step would be extremely inadvisable but are also of opinion that it would not result in any improvement. The Special Officer's recommendation, we are inclined to think, is the result of want of adequate knowledge on his part of the conditions obtaining in this province of the working of the system as a whole. There is something radically wrong with the Special Officer's perspective in regard to the part which non-officials play in the Movement.



The nature of the Special Officer's special pleading for officialising the Movement can be judged from the following problem he propounds to himself. "I would like to see what those non-officials who are *always hungering* for more control would say if the Government suddenly lost all interest in the Movement and decides to withdraw completely." No non-official advocate of de-officialisation ever asked, to our knowledge, that the Government should abandon its interest either suddenly or gradually or to give up its concern and responsibility for the movement by withdrawing from it completely. The Officer however, does not wait for an answer from the readers of his report to his hypothetical question, but hastens to furnish it himself in the very next sentence by saying that "if this were done, the Movement would most assuredly degenerate into chaos and early collapse." So would every other department of State if the Government abandons its interest in it and withdraws its concern and responsibility for its administration.

#### Change in the Law and Rules.

After setting out the various defects in the working of the co-operative credit societies, the Special Officer recommends certain changes in the law and rules. He recommends that every society should be statutorily compelled to hang up its audited balance sheet in three places, namely, *its premises*, at the *village chavadi* and at the *village Post Office* so that it may be open to public inspection. Another change in the law which he wants is that no individual should be entitled to hold office in more than one co-operative society of a *similar or connected* kind at any one time. He then proceeds to recommend the following additional powers be given to the Registrar. (1) Surcharge orders should be capable of being issued even in respect of irregular expenditure of funds or negligence for time barred debts or loss of decrees and bonds; (2) Wilful disobedience of the Act and of bye-laws should in addition to being an offence under the present law for which an offender may be prosecuted and punished by a Magistrate be also made punishable by imposition of penalty by the Registrar himself after enquiry; (3) The Registrar should have powers, under section 15 of the Act, to convene a valid meeting *even without a quorum*; and (4) The Registrar should be given powers under the Act to remove undesirable men after proper enquiry by "men" he means evidently both members and officers.

There may be no objection to the innocuous recommendation about balance sheets of societies being hung up in three different places in the same village. But such publicity is not likely to improve the working of village societies in any way. The recommendation that no person should hold office in more than one society of a similar or connected kind is both objectionable and unworkable. It is not clear what is meant by "societies of a connected kind." In a financial chain, the primary societies, supervising unions, Central Banks and the Provincial Bank are connected links. If, for instance, the President or a member of a village society panchayat or of a supervising union is returned to the Central Bank as its representative, one would think that he would be *prima facie* a fit and proper person to become the President or a Director of the Central Bank. So would be a representative of a Central Bank in the Provincial Bank. The rule that one man should not become a member of more than one credit society and borrow therefrom has no analogy to a person holding honorary offices in a chain of financial organisations. If the Officer's view is that a representative of a *borrowing* society should not hold office in a *financing* bank or *supervising* union, it cuts at the very root of the principles that in a co-operative credit organisation, the borrower and the lender are blended into one and that supervision which is internal is the ideal to be aimed at.

As regards the proposed additional powers to the Registrar, they will not only not help the Movement but will entirely alter the character of the Registrar, in whom the ultimate control of the Movement is vested as the "friend, philosopher and

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guide," into a criminal investigator, a prosecutor and a magistrate—a most embarrassing position which no Registrar will accept. Instead of honest and upright non-officials emerging from their present seclusion and rushing into the Movement immediately such powers are given to the Registrar, the few such men who are in the movement will retire from it in order to preserve their self-respect and take to some other public activity in a more congenial non-official atmosphere.

### Intermediate Financing Agencies.

The Special Officer's plea for reducing rates of interest and making credit available to members at as cheap rate of interest as possible will be universally accepted. In dealing with the need to reduce the rate of interest, the Special Officer says that the present high rates of interest prevailing in the co-operative movement are due to "the number of middle-men institutions between the primary societies and the Central Bank of Madras", by which he apparently means the Madras Provincial Co-operative Bank, and to absence of adequate and effective supervision of societies. He proceeds to say that "if primary societies are properly supervised, they are likely to attract deposits direct which will enable the societies to lend at much lower rates of interest than at present." Whether this idea is that the Central Banks and the Provincial Bank should be abolished is not very clear. Apparently, he is of that opinion. We think that it is a very unsound view to take. The Co-operative Credit structure in this province is essentially a federation structure. The primary credit societies by being federated into Central Banks derived considerable financial strength and so did the Central Banks by being federated into the Provincial Co-operative Bank. If the Special Officer recommends the reversal of this policy, we are unable to agree with him.

In regard to the functions of the Provincial Bank in the movement, the question whether it should operate through branches as is partly done in Bombay, or whether the Central Banks or regional Banks should be independent units, which are linked up with the Provincial Bank, as integral parts of a co-operative credit structure, did engage the attention of co-operators at one time and the co-operative opinion of this province favoured the latter course. The advantage of having independent central or regional banks is that local capital and spare wealth of rural investors can be more easily tapped and utilised locally. The Provincial Co-operative Bank must aim at attaining the position more of a balancing centre than a financing agency to Central Banks. When Central Banks are able to attract their own local capital and do not borrow from the Provincial Bank, as is largely the case to-day it must be said that those banks have taken their rightful place in the Co-operative Credit Movement. It is this ideal that should be aimed at by the Provincial Bank and its affiliated Central Banks. The expectation of the Special Officer, that in the wake of the supervision of the primary societies being transferred to the Co-operative Department, deposits will follow into the primary societies seems to be wholly illusory, and is not founded on any knowledge of local conditions or the realities of co-operative rural credit. We are unable to agree with the view that the higher rates now demanded by depositors are due to want of adequate and effective supervision and that the public will be eager to invest their money at lower rates of interest, if supervision is transferred to the Department.

The question whether the Madras Provincial Co-operative Bank itself can effectively serve the whole province or whether there is need for two Provincial Co-operative Banks, one for the Telugu Districts and one for the Tamil Districts, was the subject of discussion at a recent Andhra Provincial Co-operative Conference; and that Conference expressed the opinion that the interests of the Movement would be better served if a separate Provincial Bank was organised for the

Telugu Districts with its headquarters also at Madras. Co-operative opinion on this question has to be further ascertained, specially of the co-operative banks in the Southern Districts before our final conclusion is formed.

#### Overdues, Arbitration and Execution.

The Special Officer dealing with the problem of overdues says that "if only societies accept repayment in kind the overdues will rapidly decrease." He himself points out that for doing so, ample warehouse accommodation and up to date information of current prices are necessary. He says that the societies must accept repayment in kind at current market prices, charging a small commission for selling and immediately sell the produce and convert it into money. We consider this as an impracticable and unbusiness-like suggestion and will be unworkable in many localities. Even for the development of loan and sale societies and co-operative marketing on a humble scale, there have not been adequate facilities and the whole problem is found to bristle with difficulties. To convert every credit society into a granary for storing the produce measured out by its debtors in discharge of the loans or into a commission shop for selling it, is simply an impossible feat. Moreover the price of staple food crops often fluctuate so rapidly that the societies will be forced to speculate very largely in prices, if they adopt the suggestions made by special officer. Some of the Provincial Banking Enquiry Committees have narrated the sad experience of societies which attempted it. We have no hesitation in rejecting this proposal.

The Special Officer makes the following recommendations in regard to existing co-operative debts ; (1) Only instalment decrees should be passed as far as possible, and where a default has been committed in respect of a few instalments, decree should be passed only in respect of such defaulted instalments, though the society could obtain under the contract a decree for the entire outstanding debt ; (2) Penal interest should not be levied except *as a last resort*. (It is not clear ; what "last resort" means) ; (3) The Registrar should have power to extend the existing loans in societies for a period of three years. We are unable to agree with any of these three suggestions. They constitute an undue infringement of the rights of the societies to recover their debts. If the Registrar should go on extending the period of the loans due by members to the societies, what is the central bank which finances the society to do and what is the Provincial Bank which finances the Central Bank to do ? The depositors in these institutions will have to be repaid from collections in societies and if the Registrar acts independently of these banks and gives extensions, how are collections to come in time to enable the financing banks to repay their depositors and creditors. The Registrar must make himself responsible to help the financing banks out of the difficulty created by his extensions. The whole scheme is so ill-conceived and opposed to ordinary principles of banking, that it does not require any serious discussion.

The Special Officer then suggests that the law of limitation should not apply to co-operative debts and gives some reasons. We are unable to agree with his recommendation or his reasons. There is no particular reason why a co-operative debtor should be placed in a worse position than other classes of debtors in regard to his debt obligations and why a co-operative debt should be kept alive indefinitely. The main reason given by the Special Officer is that "unscrupulous panchayatdars deliberately allow quite a large proportion of loan cases to become time-barred." The remedy for this is not to penalise the debtor but to prevent unscrupulous panchayatdars getting into office.

#### Loan and Sale Societies.

The Special Officer's recommendations in favour of a large programme of building warehouses and developing co-operative credit on the security of agricultural

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produce and controlled credit (by which he means the integration of co-operative credit with production on one side and sale on the other) are non-controversial and will undoubtedly prove beneficial if worked out. It is however doubtful if the Government themselves will undertake the building of warehouses and renting them out as suggested by the Officer. There is of course no objection to such a course; but for the Government to embark on such a large building programme, the huge machinery of the Public Works Department has to be set in motion and the Finance Department has to be induced to provide funds. The suggestion that the grant made by the Government of India for rural uplift schemes should be diverted to building of warehouses is in our opinion not a right move. The Central Banks and the Loan and Sale Societies may perhaps be in a better position to build warehouses at a cheaper cost and also to do it more quickly, if long term finance is forthcoming from the Government or any other source. To the extent such finance may not be forthcoming from the Government, the Madras Provincial Co-operative Bank may raise long term money by issue of debentures and make it available to the Central Banks or loan and sale societies for building warehouses at a rate of interest not exceeding five per cent.

For the success of loan and sale societies, it will be necessary for them to enter into the business much on the same lines as middlemen now do. It will not do for them to wait for the members to bring their produce and only to sell it when it comes. Like those who are now engaged in our internal trade and the movement and marketing of crops, they must send out their staff and agents into the villages to gather the produce and to bring it to the marketing centres and if necessary to make advances to the villagers against the produce and crops. In order to do so, they must command adequate financial resources. Wherever the Central Banks themselves recommend, the Provincial Bank may directly finance Loan and Sale Societies.

### Co-operative Training and Education.

The Special Officer has not much to say on this subject. Co operative opinion in this province has definitely expressed itself in favour of education and training being entrusted to a non-official agency. The Department is not the proper agency for imparting training and education, if it is to bear any fruit at all. The views of the Madras Provincial Co-operative Union on the subject are already before the Local Government, and it is not necessary to dilate on this subject now.

### Land Mortgage Banks.

We do not propose to deal with the portion of the Special Officer's report dealing with the land mortgage banks, as the Madras Co-operative Central Land Mortgage Bank would have done it.

### General.

The Special Officer's views on the "Need for a progressive policy" and "Co-ordinated and planned action" are largely of a non-controversial nature and indicate the ideals which the Movement should aim at attaining. They do not call for any special remarks. Their adaptability in practice will largely depend upon local conditions and other circumstances.

The nature and extent of State aid to Agricultural Development, the need for the establishment of an Agricultural Credit Section to the Reserve Bank and to link up indigenous bankers with the banking system of the country and other items of a progressive and effective agrarian policy have so often been pressed on the Government that they do not need a recital here.

## Government's Review on the Registrar's Report.

The Government of Madras made the following observations on the working of the Co-operative Department for 1934-35.

The season this year was more favourable than the last and there are not wanting signs, such as a slight rise in the price of paddy and other commodities and a slight improvement in borrowings by societies, of the gradual disappearance of the economic depression. But the agricultural classes continue to suffer from the after-effects of the depression. The general reduction in the rate of interest charged on loans and a complete waiver of penal interest are measures intended to assist in the recovery, but it would be unreasonable to expect the Co-operative movement, in spite of the best efforts of the officers of the Department and the non-officials concerned with the movement in reforming and consolidating the societies to react with anything like sensitive suddenness to the gradually improving economic conditions.

### *Increase in Working Capital.*

The working capital of societies increased during the year from Rs. 1,632'05 lakhs to Rs. 1,671'84 lakhs and there was also an increase in their transactions. There was, at the same time, a noticeable fall in the percentage of balance to demand in the case of both principal and current interest in the dues of agricultural societies. The following statement sets out the position :—

Percentage of balance to demand in	Central Banks.		Agricultural Societies.		Non-agricultural societies.	
	1933-34.	1934-35.	1933-34.	1934-35.	1933-34.	1934-35.
Principal ...	53·86	56·91	70·38	68·12	23·14	22·72
Current Interest ...	12·41	11·81	63·81	58·69	23·35	24·20
Arrear interest ...	48·16	50·96	70·38	72·20	50·73	56·48

### *Reduction in rate of Interest.*

The continued easy condition of the money market has enabled central banks to reduce the rate of interest charged on loans to societies and, in their turn, the societies have reduced the rate of interest on loans to members. In order to stimulate repayment, the societies continued to grant, in the year under report, concessions to agricultural borrowers in the shape of a reduction of interest on outstanding loans and a waiver of penal interest in certain circumstances. An amount of Rs. 75,000 under penal interest was waived by societies in 1934-35. The Registrar

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has advised the societies to continue the concessions during 1935-36 and it is hoped that there will be a further fall in the percentage of balance to demand in the dues of the agricultural societies and central banks.

All the central banks, except the Madras District Bank, have adopted the Registrar's scheme for the examination of individual loans in affiliated societies, with the result that, at the end of the year, additional securities had been obtained in respect of loans amounting to Rs. 14'08 lakhs which were ill-secured. There is yet a third of the total amount of loans advanced by societies which remains ill-secured, and it is to be hoped that the societies will not relax their efforts until every loan is replaced on a secure basis. Under the scheme of subvention by the Provincial Bank for the rectification of societies, the non-official staff was able to reduce overdues in 1,034 bad societies to below 40 per cent.

A satisfactory feature of the year under report was that central banks increased their loan transactions from Rs. 84'77 lakhs to Rs. 102'07 lakhs. Further, the surplus funds of central banks were still further reduced to Rs. 26'36 lakhs and, on the recommendation of the Registrar, the Government have agreed to relax the restrictions on the deposits of funds of local bodies in respect of those banks which have no surpluses. All the central banks, except the Madras Christian Central Bank, worked at a profit during the year. The fall in the total net profit from Rs. 4'43 lakhs to Rs. 4'21 lakhs is attributed to the policy pursued in recent years of making adequate provision for bad and doubtful debts. The bad debt reserve rose from Rs. 10 lakhs to Rs. 13'89 lakhs.

### *Registration of new Societies.*

The fact that only 100 societies were registered during the year as against 140 in the previous year is accounted for by the fact that the registration of new societies is now made with greater care and only after full and detailed inquiries into the prospects of the societies working satisfactorily. The registration of fewer societies was cancelled during the year, this step having been resorted to only after exhausting all possible methods of reforming them, viz., supersession of committees and appointment of agents for the management of societies. The Government agree with the Registrar that these measures constitute a satisfactory middle course between suspended animation and liquidation.

In the transactions of agricultural non-credit societies there was a very appreciable increase. The purchase and sale societies bought goods to the value of Rs. 3,69,444 and sold goods for Rs. 17,03,884 as against Rs. 2,95,227 and Rs. 4,69,486 respectively in the previous year. The Government have been providing staff wherever necessary for the supervision of this class of societies in their initial stages, and look forward to a considerable improvement in the condition of agriculturists through the efforts of these societies in the marketing of their produce.

*Land Mortgage Banks.*

There was further progress in the transactions of the Central Land Mortgage Bank. It issued, during the year, debentures to the extent of Rs. 28,72,800 against Rs. 24,79,500 in 1933-34. In accordance with its policy of converting high interest bearing debentures into ones carrying a lower rate of interest, the bank converted debentures of a total value of Rs. 10,83,200 and the benefit of the reduction in the rate of interest on debentures was passed on to the ultimate borrowers in the primary banks. Funds are now made available to them at 6 per cent interest. The working of the primary land mortgage banks also showed an improvement, and the utility of these institutions in the redemption of prior debts is being increasingly realized by agriculturists. Twelve new banks were registered during the year and there are now banks in all the districts of the Presidency, except Chittoor, South Kanara, Malabar and the Nilgiris. During the year, the banks granted loans to the extent of Rs. 20.57 lakhs as against Rs. 14.78 lakhs in the preceding years. Thirty-eight banks made a profit of Rs. 32,942 and the rest incurred a loss of Rs. 17,067 during the year against a profit of Rs. 12,833 made by some banks and a loss of Rs. 24,089 incurred by others in the year previous. There was an improvement in the collections made by the banks from members, the percentage of arrears under principal and interest at the end of the year being 36.89 and 6.51 respectively against 47.68 and 12.84. The Government note with interest that these banks have already been taking steps to compound informally the debts of their members with their creditors, and that in 143 cases a total original debt standing at Rs. 3,68,889 was scaled down by Rs. 38,191 before the banks discharged it completely.

The working of weavers' societies, however, cannot be said to be satisfactory. The profits earned by some of these societies fell from Rs. 5,057 to Rs. 924 and the losses incurred by others increased from Rs. 2,409 to Rs. 4,075. It is reported that these societies are finding it difficult to compete with mill products. The Government trust that the starting of the Provincial Handloom Co-operative Society financed from the grant given by the Government of India for the improvement of the handloom weaving industry will result in an amelioration of the condition of the weavers' societies.

The scheme for a comprehensive training of departmental and non-official staff and for the education of panchayatdars and members of societies, referred to in the report, has since been sent to the Government of India for approval.

## Recent Utterances.

His Excellency Sir Hyde Gowan, the Governor of Central Provinces and Berar, at the Budget session of the C. P. Legislative Council which commenced on the 20th February last, made a survey of the various measures taken by the Government in tackling the agricultural problem and the following are extracts from his speech on the occasion.

### *Debt Redemption Schemes.*

When I addressed you last year I tried to give you some account of the measures which we were taking to cope with the three aspects of our agricultural problem, the diminution of existing debt, the provision of means for the liquidation of what remains and the prevention of further indebtedness; and my first task to-day must be to render to you a brief account of what we have been able to achieve. Once again fortune has frowned on us; the cotton crop has been below normal for the fourteenth year in succession, and the wheat crop for the tenth. What we have done, therefore, we have done in the teeth of a fate which could hardly have been more unrelenting.

### *Debt Conciliation.*

All who have had to deal with the first part of our problem have kept clearly before themselves one fact—that we were sailing in uncharted seas, and that we must, therefore, take careful soundings as we go, lest our good ship founder on unseen rocks. And what has been the result of those soundings? The time has come, I think, when we may say with some measure of confidence that we are set on a fair course, and that if the watch is vigilant and the helmsman steady of hand there is no reason why we should not sail on without fear into the dawn. By the end of the last revenue year, 11 Conciliation Boards had dealt with no fewer than 11,330 applications, involving debts of Rs. 144½ lakhs, of which Rs. 61½ lakhs, or 42 per cent, had been remitted. You may say, of course, that most of the latter sum was in effect a paper debt, and never could nor would have been recovered. But whether that be true or not, the fact remains that the debt was there, a millstone round the raiyat's neck, and that when a man is carrying a millstone of 100 lbs. in weight and some one knocks 42 lbs. off it, his heart will be lightened, just as his body is. Recently, we have received a donation from the Government of India which enables us to start five more Boards, and the keen demand for a Board from almost every part of the Province is proof positive that, whatever may be the verdict of the future on our experiment, its present



effect has been to bring relief and fresh hope to the countryside. It was inevitable that the practical working of the Act should reveal defects, and these we are endeavouring to put right as they become plain; but its main structure, which is a combination of voluntary effort with the imposition of a discount on those who stand aloof, has come through its first year's test as well as we could have expected.

#### *Land Mortgage Banks.*

Next comes the provision of means for repayment of debt. Ten Land Mortgage Banks have now been established, and Government has guaranteed the principal of their debentures up to a limit of 50 lakhs, and has also guaranteed the interest on them. But here a curious situation seems likely to arise. There is no dearth of applications for loans. There is a certain class of debtor who will swim in shoals after the bait of a loan at 7 per cent, but unfortunately he is not the class which a Bank dealing with Government guaranteed capital wishes to attract. The class which it wants to attract is the class which can be relied on to pay its instalments on the due dates; and here the warning which I uttered last year seems likely to come true. What is happening is this: the Bank says, "We will charge you 7 per cent, but you must pay on the nail." The banya says, "9 per cent, and you may pay when convenient." In the mind of the debtor the small saving of interest is not big enough to outweigh the extra strictness, and he goes to the banya. Up to the end of December, the Provincial Bank had only received for sanction from the local banks 71 applications, totalling just under a lakh of rupees. It would, however, be both premature and unduly pessimistic to say that this part of our efforts has not been successful. If the Banks do nothing else, the mere knowledge that they are ready to give loans at 7 per cent keeps down the general rate of interest for solvent debtors; in the area of one Bank, in fact, we know that it has already caused the money-lenders to reduce their rate for mortgage-loans to 7 per cent. And there is another point which seems to emerge from our scrutiny of what is going on. The oft-expressed fear that the working of the Conciliation Boards would dry up the sources of agricultural credit has not been borne out by experience. In a country where the share of the fowler, in the person of the village banya, is spread far too wide, such curtailment of his activities as has occurred in practice need cause no anxiety.

#### *Sale of Land.*

In dealing with the redemption of debt by the sale of land, the very careful enquiries which we set on foot have had one definite result. An analysis of the figures for a large number of sales has made it abundantly clear that, when abnormalities have been discarded, and the real selling value has been calculated there is no foundation for the oft-repeated complaint that that value has fallen to a disastrously low figure. Replies received from revenue officers in all parts of the province, and especially

from the Court of Wards and Land Acquisition officers, have shown that with rare exceptions the value of villages is far in excess of any figure at which Government could afford to enter the market. On this point, therefore, our minds can be set at rest, and I hope that we shall hear no more of the complaint. The return of normal prices after a boom is always unpleasant from the vendor's point of view, but to the community at large it is a sign of running health. At the same time special instructions have been issued to the staff which deals with enforced sales of land—what we call Collector's cases—to ensure that valuations are made properly; and it is hoped that these instructions will secure the postponement of sale whenever possible, and when that is not possible will ensure that the debtor gets the best price which can be obtained. Measures have also been taken, in view of the overwhelming volume of this work to strengthen the staff. If any of you wish to criticise the nature of those measures, I hope that you will bear in mind the great difficulty of the task, and how important it is for the sake of those of your friends who are in trouble that there should be no unreasonable delay nor bungling about its performance.

#### *Prevention of Debt.*

We come now to the third part of our problem, the prevention of debt. If you agree with me—and no one has yet told me that I am wrong—in saying that the root causes of debt are neither heavy rents and revenue nor bad harvests but thriftlessness, ignorance, and the burden of ceremonial observances, then we shall all realise that our task is not of a day but of a generation at least. While our finances are in their present crippled condition, it is difficult to make an effective start on the work of adapting education to meet rural needs. We have, however, done something. Agriculture is now being taught in eight selected middle schools; civics, gardening, and the elementary science of plant life has been included in the Normal School syllabus; and we are trying out an experimental syllabus for rural children in primary schools which includes the teaching of citizenship, village handicrafts, and common village tasks like the measuring of land and the weighing of grain. Of more immediate benefit is the action which we have taken to ensure that the cultivator gets proper value for his crops by adapting the provisions of the Cotton Markets Act to all agricultural markets, so as to put a stop to some of the blatant malpractices by which he is cheated at present. We have also appointed a special marketing staff, which is engaged at the moment on intensive surveys for the marketing of fruit, grain, and live-stock. Thanks to a generous and most welcome grant of 5 lakhs from the Government of India—the first real spare cash which we have seen in this province for many years—we have been able not only to bring many amenities to villages, such as roads and water-supply, but also to make a start on various experiments in rural reconstruction.

The following are extracts from a speech delivered by Mr. K. Subrahmanyam, M.A., Deputy Registrar of Co-operative Societies, Madras, at the annual meeting of the Nungambakam Co-operators' League on 23-2-1936 :

*Store Societies vs. Buying Clubs.*

I must, however, make heré a few observations on some practical aspects of the working, particularly the purchasing policy of these store societies and of your Buying Club. Some of these store societies have been getting their requirements generally from wholesale merchants or through their own agents appointed in the centres of production, as in the case of the Triplicane Stores. For instance, let us take rice. Rice is at present mostly obtained from Nellore. What I suggest is that instead of dealing with the merchants engaged in this trade, will it not be much better to obtain the rice through a society composed of producers so that the profits which now go to the wholesale merchants or to other middlemen may be retained with the agriculturists who cultivate paddy? If all big store societies place orders with the Paddy Sale Society, it will have enough business to meet the expenses connected with management and supervision. A sufficient volume of business is what is necessary. Similarly for butter or ghee. At present large quantities of butter are got from Guntur or Kistna Districts. Will it not be much better to form producers' associations in important centres in each district and to obtain the required quantities of butter or ghee from co-operative associations formed of producers rather than get the supplies from middlemen or agents? Such close contact with producers and the offer of reasonable prices for their produce will prove to be in course of time of sufficient attraction to them to improve quality and will help eventually in grading the produce.

Most of you may be aware that the Co-operative Department has recently started some co-operative sugar factories in the northern districts of the Presidency and of these, the Vuyyur Sugar Society is the biggest. It has begun to produce and put on the market large quantities of sugar. Will it not be better, I repeat, that we through our consumers' organisations get our supplies of sugar from the Vuyyur Sugar Factory on certain agreed terms instead of purchasing it from any wholesale dealer? Our internal market is large enough for the sale of our staple food-stuffs and if the store societies establish some intimate relationship between themselves and co-operative producers' associations, it will indeed be to the mutual advantage of consumers and producers. It is possible, though I am conscious that it is difficult to bring co-operative associations of producers and consumers together by patient and persistent educative propaganda and effort and bridge the large gap between producers and consumers which is characteristic of the present economic organisation.

*Milk Propaganda.*

As consumers we are very intimately connected with the supply of milk in the City. You will all admit without much argument that our

milk supplies are not as pure as we expect them to be. Unclean milk produces a good many diseases among which are included tuberculosis, typhoid and other kinds of fevers. We have not got statistics to show what harm is being done by the supply of impure milk to the people in the City. Sample surveys made in various parts of England have shown that some 2 per cent to 13 per cent of the raw milk supplied (with an average of 6.7 per cent) contains tubercle bacilli and that at least 40 per cent of a British cattle population of nearly 8 millions is still infected with bovine tuberculosis. The position in our country may certainly be worse. There are 3 separate lines of approach to the problem. The first is the prevention of deliberate adulteration of milk; the second is the effective treatment of raw milk to destroy the bacteria of diseases and the third is the eradication of tubercular cattle. An attempt has been made by the department, as you all know, through the organisation of Milk Supply Societies consisting of milkmen in the villages in the neighbourhood of Madras and through federating them into a Milk Supply Union at Madras. The Union gets the animals milked under sanitary conditions and supplies unadulterated milk at reasonable prices. The Union proposes to erect a pasturising plant. It is desirable for associations like your League to put yourselves in touch with the Madras Milk Supply Union and to arrange to get as pure and unadulterated milk as possible through the depots of the Union. If there be enough demand, the Union may erect cattle sheds and arrange for the supply of milk to the members of the League. Incidentally I suggest that your League may carry a 'Drink More Milk' propaganda. As you all know, milk contains proteins, carbohydrates, mineral salts and vitamins and is rich in fat, and as has been well said, the greatest nutritional need of India at the present time is the production of more and purer milk, for, there is no more important foodstuff than this and none on which public health is more dependant.

## *Building Societies.*

The second human need is shelter and for the large body of urban dwellers housing presents many problems. You are undoubtedly aware that the Government through the Co-operative Department has done a good deal to help the middle classes to construct houses of their own by giving them State loans at a reasonable rate of interest for long periods extending to 20 years. You will notice when you go round the new extensions in the City abundant evidence of this great help rendered by Government. The methods of construction of houses have made great advance in recent years and the middle and professional classes in urban areas should take advantage of these and construct houses on more sanitary and up-to-date lines. I am sure your League will have as one of its objects the development, amongst your members, of an attitude which favours the co-operative housing enterprise which is full of economic

and social advantage. It should be your endeavour to educate your members to ascertain the relative advantages of owned and rented houses, to understand and apply the relationship between income and home-ownership, to show that home-ownership improves living conditions and to make known the costs of the chief types of houses and to make members familiar with the opportunities the co-operative house building societies offer for lending money for construction of houses.

In this connection let me tell you a recent development of co-operative activity which is calculated to promote with private support and encouragement the execution of co-operative housing schemes. I refer to the organisation and the starting of a co-operative labour society, which has the fortune of having Nungambakkam as its headquarters. It consists of workers who are competent to construct houses on approved lines and estimates. It has on its board men of business experience and one of them has ample knowledge of house construction. It will be to the advantage both of the workers and of the would be owners of houses that they utilised the services of the co-operative labour society—which I would prefer to call a Co-operative Building Guild.

#### *Weavers' Societies.*

Lastly, I would like to refer to our other essential need as consumers—clothing. A good deal has been done in the past to promote on co-operative lines weavers' societies in the Presidency but with the notable exceptions of societies like the Salem Weavers Co-operative Society or the Coimbatore Devanga Weavers' Society others did not work as well as one expected. The Government of India and the local Government have however taken steps to improve the handloom industry in the country. The Government of India have given a subsidy to the local Government for the promotion of this industry. A Co-operative Provincial Handloom Weavers' Society was started and it has on its roll a number of weaver societies formed and working in important centres in the presidency. The Provincial Weavers' Society has appointed a marketing officer and a number of supervisors to guide and supervise and facilitate the marketing of the cloth prepared by the weaver members of primary societies in the presidency. One of the difficulties of weaver societies in the earlier years was marketing. The Provincial Society supplies yarn to primary production societies and takes the cloth prepared by the members of these societies and puts them in the market for sale. In other words the Provincial Societies attempts to bring the weavers into closer touch with the consumers. Your buying club and the other store societies in the City and elsewhere may interest themselves in this activity of the Provincial Society and try to supply to different varieties of cloth required by the members, acting as the agent of the Provincial Society. You need not take any risks attendant on the purchase and

## RECENT UTTERANCES

stocking of the clothes. You may enter into some agreement with the Provincial Society, take the cloth you require from time to time and sell them to the members and settle the accounts once a month returning to the Provincial Society the cloth not required or disposed of by your buying club or the stores. You have cloth there to suit different tastes. While on the one side you satisfy the requirements of consumers, on the other you will be encouraging the handloom industry and helping the poor weaving community scattered all over the presidency.

\*                      \*                      \*

In moving the Resolution No. 6 of the 15th session of the Central Bank's Conference Mr. V. Ramadas Pantulu said :—

### BAD DEBT RESERVE.

The policy of strengthening the position of co-operative credit societies and central banks in regard to their ability to meet bad debts, especially at this stage of the Movement, is undoubtedly wise and sound. But it should be so worked as not to operate prejudicially to the interests of good societies. It must be realised that when a large proportion of the profits earned by a bank is made unavailable for distribution as dividend, the good societies which have contributed to the profits are penalised along with the bad societies which necessitated the curtailment of dividend. Good societies which are thus penalised may soon pass into the ranks of loss societies. If the societies which work well and earn the profits which a central bank declares and the individual share-holders who are not responsible for the bad working of the societies are thus penalised and dividend on the share capital paid by them is either wholly denied or cut down to a very small percentage, the incentive for good working and expansion of the Movement will gradually diminish. The policy of building up bad debt reserve must be pursued with a certain amount of circumspection and with due regard to the interests of good members. I think the time has now come in the light of experience gained in the last few years to lay down definite rules about the diversion of profits towards bad debt reserves and not leave too much to individual discretion of the local authorities. In commercial banks and business houses a certain percentage of the outstanding loans is set apart for meeting bad debts. It is desirable to examine the question whether a similar practice can be followed by co-operative banks. In any case, there is need for a rule that diversion to bad debt reserves from the net profits should be made only after allowing a reasonable dividend, say five or six per cent on the share capital of the members, whenever profits earned permit dividend being given to that extent, except when there are strong reasons to adopt a different course. I am aware that this is being done now by the auditing authorities of central banks and wherever possible a dividend of at least five per cent is allowed to be given, but not always. I have found instances where the caution is carried to an excessive degree.

Another question that may have to be examined in this connection is whether we should not discriminate between the societies working at a profit and which contribute towards the profits of the central bank and those which have worked at a loss and have not so contributed to the profits of the central bank. *Prima facie*, there does not seem to be any objection to such discrimination. But the way in which it has to be done may require careful examination. Again, the question whether diversion of profits to bad debt reserves so as to cut down the dividend is or is not necessary in cases where the statutory reserve fund of a central bank is fairly large in relation to its estimated bad debts or forms a substantial proportion

of the borrowed capital of the bank has also to be considered. In one bank, which I have seen and which has a statutory reserve fund of about Rs. 4 lakhs, a further sum of about Rs. 60,000 has been again accumulated in the bad debt reserve. An examination of the bad and doubtful debts made by the auditing authorities shows that they are nowhere near the figure of Rs. 4 lakhs. In such cases, while there may be no objection to bad debt reserves being strengthened annually by a reasonable portion of the profits being diverted to those reserves after a reasonable dividend has been declared, the question whether there should be a diversion compulsorily, sacrificing the dividend is one which requires investigation.

The idea of creating a separate bad debt reserve seems to be that while the reserve fund of a society which is separately invested and which goes on accumulating with the statutory addition of a fraction of the net profits from year to year is a "fund" which remains intact till liquidation, the bad debt "reserve" may be drawn upon from time to time in the course of the working of the society to meet bad debts. It may be so in theory but it seems to mean little in practice. It has to be remembered that the statutory reserve fund is not really a "fund." For instance, take a primary society. If any society which is indebted to a central bank is working at a loss and its loans due to the bank are definitely bad and irrecoverable and the society is consuming its owned capital, to that extent its statutory reserve fund invested in the central bank is being automatically reduced from day to day, even if the reserve fund account is not so deducted. The fact that an entry is made in the books of the central bank adjusting the reserve fund of the society only on liquidation does not alter the position. The bank is not required to pay out cash to anybody, for most societies indebted to it have no outside creditors and all that it really does is to maintain the reserve account for its constituent societies and does not really possess a "fund" in the sense that any definite sum of money is available as a fund. It is presumably on the assumption that a reserve fund cannot be touched that permission is refused to central banks to adjust the accounts of societies indebted to the bank, by debiting their share capital and reserve fund with the bank towards the monies due to the bank. I think the practice and theory in this respect require re-examination. I am of opinion that the accumulation of bad debt reserves should be regulated with due reference to the volume of the statutory reserve fund, and when the latter is considered reasonably adequate to cover unforeseen losses and estimated bad debts, diversion to bad debt reserve should not be insisted upon to the detriment of good societies by denying them a reasonable dividend on their share capital. The maximum of the dividend may be reduced, if necessary, from nine per cent to six per cent in such cases.

"As regards the amount of reserve to be created in respect of bad and doubtful debts not written off, reserve should be made to the full extent of those debts actually regarded as bad, while the doubtful debts should be reserved according to their estimated value, special reserve being made in respect of debts of a large amount based on the circumstances of each case.

Where the debts are very numerous and of an average amount, the reserve for doubtful debts may be made by way of a percentage on the outstanding debtors, the rate of which will be arrived at from previous experience; but this should be supplemented by specific reserves, if necessary."

*(Practical Auditing by Spicer and Pegler.)*

## Review.

**A CO-OPERATIVE READER:** By Rao Saheb M. V. Appa Rao Pantulu, Retired Extra Assistant Registrar of Co-operative Societies, Berhampore.

The author is to be congratulated on his little Co-operative Reader in Telugu, having run into the fourth edition. It contains twenty-five lessons which explain in very simple language the objects, principles, methods and benefits of co-operative societies. The lessons are enforced by means of fables, verses and dialogues and almost every lesson is illustrated by a suitable picture. Though the pictures are drawn from the agricultural life of the Ganjam and Vizagapatam Agencies—where Mr. Appa Rao served during a large part of his official career—they appeal with undiminished force to the readers of the plains. The book is approved by the Madras Text Book Committee and recommended for teaching civics in the fifth and higher standards in Elementary Schools. It deserves to be widely known not only in schools but in rural co-operative societies, the chief cause of whose defective working is the ignorance of co-operative principles on the part of their members. The price of the Reader is *annas eight*, which we should think rather stands in the way of its greater popularity. We have no doubt that the author will be willing to reduce it considerably for the benefit of students as well as of members of societies. It is spoken of highly by Sir A. P. Patro, Mr. V. Ramadas Pantulu and many journals.

V. V. S.

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THE MADRAS JOURNAL OF CO-OPERATION

STATISTICS OF

Name of the Bank.	Date of Establishment.	Working Capital as on 30-6-1935 (to the nearest rupee).		Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of interest.		Percentage of overdues as on 30-6-1935.	
						On ordinary loans.	On security of deposits.	Principal.	Interest.
(1)	(2)	(3)	(4)	(5)	(6)	(7)			
		Rs.	Rs.		p. c.	p. c.	p. c.	p. c.	
1 Salem Urban Co-op. Society	1- 3-06	7,86,945	79,941	1,532	7½	1½ (above deposit rate)	5	5	
2 Erode Urban Bank.	11- 6-11	4,74,860	38,086	1,881	8½	7½	11	28	
3 Tirupati Co-op. Town Bank.	2- 2-18	3,78,591	28,360	1,077	7½	7	8·6	3·7	
4 Hindupur Co-op. Town Bank.	20-12-19	3,47,123	21,528	813	9½	9½	11·9	11·8	
5 Vizianagaram Co-op. Bank.	18- 8-14	3,40,259	48,653	2,636	7½	5½	14·1	24·3	
6 Madura Urban Co-op. Bank.	3- 4-06	2,80,508	32,825	905	7½	6½	26·1	22·6	
7 Berhampur Co-op. Urban Bank.	13-11-06	2,50,742	39,085	1,546	7½	1½ (above deposit rate)	30·06	46·9	
8 Trichinopoly Co-op. Credit Bank.	27- 3-13	2,33,858	42,609	688	8½	1½ (above deposit rate)	44	*	

\* Details not available.

# STATISTICS OF URBAN BANKS

## URBAN BANKS

Establishment and contingent charges in 1934-35. .	Is there a full time and paid Secretary, if so, his salary per mensem.	No. of directors constituting the Board of Management.	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee.	System of election of directors.	Qualification for directorship.	Any Speciality.
(8)	(9)	(10)	(11)	(12)	(13)	(14)
11,619	No.	9	Secretary 25 per cent, Legal Adviser 10 per cent of net profits	Biennial-en bloc.	10 shares.	
9,363	Yes Rs. 130	11	Nil.	en bloc triennial.	15 un-encumbered shares.	
4,399	No.	7	Rs. 1,650	en bloc biennial.	20 shares.	Day deposit system. Daily repayment of loans on a fixed scale.
4,151	No.	9	Rs. 510	en bloc annual.	Any non-defaulting member.	The Bank is doing all kinds of banking work. It has accounts with Bombay Provincial Bank. It has built a building at a cost of Rs. 25,000.
7,797	No.	9	Rs. 130	One third of the Board vacate annually by rotation.	5 shares.	The Bank lends on the security of gold.
4,254	No.	7	Nil.	Biennial.	10 shares.	
3,946	No.	7	Nil.	en bloc biennial.	20 shares.	
5,840	No.	11	One rupee per meeting	annual.	4 shares of 25 rupees each.	

THE MADRAS JOURNAL OF CO-OPERATION

STATISTICS OF

Name of the Bank.	Date of establishment.	Working Capital as on 30-6-1935 (to the nearest rupee).	Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of Interest.		Percentage of overdues as on 30-6-1935.	
					On ordinary loans	On security of deposits.	Principal.	Interest.
(1)	(2)	(3)	(4)	(5)	(6)		(7)	
		Rs.	Rs.		p. c.	p. c.	p. c.	p. c.
9 Madras Government Servants Co-op. Society.	7- 9-12	2,25,883	23,342	1,066	9 $\frac{3}{8}$	9 $\frac{1}{2}$	*	*
10 Karur Town Co-op. Bank.	24- 6-12	2,12,484	22,695	498	8 $\frac{1}{2}$	8 $\frac{1}{2}$	5	2
11 Nicholson Town Bank, Tanjore.	15- 2-05	1,85,107	22,430	2,712	9 $\frac{1}{2}$	$\frac{1}{2}$ (over deposit rate)	36	45
12 Little Conjeevaram Urban Bank.	11- 9-10	1,80,935	24,039	1,827	6 $\frac{1}{2}$	$\frac{1}{2}$ (over deposit rate)	9	3
13 Madura Sou-rashtra Co-op. Bank.	4-11-18	1,73,065	10,620	2,522	9 $\frac{1}{2}$	2 (over deposit rate)	13	4.8
14 Periakulam Co-op. Urban Bank.	7- 2-09	1,67,704	14,050	1,190	8 $\frac{1}{2}$	8 $\frac{1}{2}$	16	16
15 Dindigul North Urban Co-op. Bank.	24- 9-09	1,66,233	11,606	1,018	9 $\frac{3}{8}$	9 $\frac{3}{8}$	53.5	53.7
16 Tirupattur Town Co-op. Bank (N. A.)	7-11-17	1,61,014	18,757	668	9 $\frac{3}{8}$	9 $\frac{3}{8}$	8.2	22.9

\* Details not available.

# STATISTICS OF URBAN BANKS

## URBAN BANKS—(Continued.)

Establishment and contingent charges in 1934-35.	Is there a full time and paid Secretary, if so, his salary per mensem.	No. of directors constituting the Board of Management.	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee.	System of election of directors.	Qualification of directorship.	Any Speciality.
(8)	(9)	(10)	(11)	(12)	(13)	(14)
7,752	No	16	Nil.	annual	100 fully paid up shares.	The Bank transacts all kinds of banking business.
3,692	Yes Rs. 100	9	Rs. 65	En bloc annual	No special qualification	
4,182	No	21	25 p. c. of the net profits.	Seven directors will be elected annually by rotation.	25 shares.	
3,325	No	15	Rs. 492	En bloc biennial (ballot)	40 fully paid up shares of Rs. 2/- each.	
4,173	No	7	1/4 of the net profits proportionate to meetings attended.	Triennial by ballot.	No special qualification	
4,489	Rs. 53	9	Nil.	En bloc biennial	Any member not having overdues for more than 3 months.	
1,866	No	9	Nil.	Triennial.	Any member <i>except</i> Govt. Servants.	
3,785	Yes Rs. 60	7	Nil.	En bloc annual.	Members of 6 months' standing holding 10 shares of Rs. 10 each.	

## STATISTICS OF

Name of the Bank.	Date of Establishment.	Working Capital on 30-6-1935 (to the nearest rupee).	Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of interest.		Percentage of overdues as on 30-6-1935.	
					On ordinary loans.	On security of deposits.	Principal.	Interest.
(1)	(2)	(3)	(4)	(5)	(6)		(7)	
		Rs.	Rs.		p. c.	p. c.	p. c.	p. c.
17 Krishnagiri Urban Co-op. C. S.	20-10-09	1,52,788	14,003	556	7½	7½	10.8	24.5
18 Mayavaram Co-op. Urban Bank.	23-11-12	1,47,753	6,983	1,498	9½	1½ (above deposit rate)	25	25
19 Sivaganga Co-op. Urban Bank	25- 6-14	1,43,532	6,930	608	8½	2 (above deposit rate)	21	9
20 Co-operative Urban Bank, Tiruturaipundi.	25- 8-11	1,40,661	24,867	763	7½	7½	20	*
21 Pattukkottai Co-op. Urban Bank.	5-11-17	1,24,296	8,487	881	9½	6½ to 7½	35.9	24.8
22 Gobichettipalayam Co-op. Urban Bank.	26- 7-12	1,14,860	14,804	786	8½	7½	15.9	34.4
23 Devakottai Co-op. Urban Bank.	25- 2-22	1,09,431	6,088	668	7½	7½	35.8	35.8
24 Urban Co-op. Town Bank, Hospét.	6- 6-15	98,701	9,521	375	9½	9½	36.5	39.6
25 Gooty Co-op. Town Bank.	15- 2-23	95,480	5,247	362	9½	9½	21	18
26 Cuddapah Co-op. Town Bank.	19- 6-15	89,533	16,207	805	7½	7½	36.5	32.2

\* Details not available.

STATISTICS OF URBAN BANKS

URBAN BANKS—(Concluded.)

Establishment and contingent charges in 1934-35.	Is there a full time and paid Secretary if so his salary per mensem.	No. of directors constituting the Board of Management.	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee.	System of election of directors.	Qualification of directorship.	Any Speciality.
(8)	(9)	(10)	(11)	(12)	(13)	(14)
	No	7	Rs. 171	annual.	5 shares.	
1,885	No.	9		Three will be elected by rotation every year.	10 unencumbered shares	
2,211	No.	9	Rs. 37/15/-	En bloc annual.	No special qualification.	
2,585	No.	9	Nil.	Annual election by general body.		
2,484	No.	9	20 p. c. of the net profits.	Biennial.	No special qualification.	No Loans from the Central Bank.
1,721	Yes. Scale 30-3A-60	7	Nil.	En bloc triennial.	10 fully paid up shares or members of at least 6 months standing.	
1,388	No.	9	Nil.	En bloc annual.	Any member, who is not a defaulter.	
735	No.	13		Biennial.	10 shares of Rs. 5 each.	
890	No.	9	Rs. 250	En bloc annual.	One share of Rs. 10.	
2,043	No.	8		Biennial.	20 fully paid up shares.	

\* Details not available.

## News and Notes.

Mr. C. S. Rangaswami, Managing Editor of the 'Indian Finance', Calcutta, speaking on the occasion of the Fifth Annual Day of the Madras College of Commerce, observed that the co-operative movement in South India had withstood the depression much better than the co-operative banks in other parts of India and that the co-operative movement in Burma might be said to have collapsed altogether.

A correspondent from Malapalayam writes that that village is the foremost weaving centre in Tinnevely district with about 6,000 looms, half of which however are idle; that through the efforts of Mr. Bhupathy, Deputy Registrar of Co-operative Societies, and of the Supervisor of Production Societies a weavers' society has been started there and affiliated to the Madras Handloom Weavers' Provincial Co-operative Society. So far more than 100 members have joined the society and about Rs. 1,500 has been collected as share capital.

In answer to a question put by Mr. N. G. Ranga in the Assembly in February last, Sir G. S. Bajpai said that Mr. Darling's recommendations related primarily to the training of the co-operative staff and to the education of the members of the co-operative societies; that the amount set apart for the purpose was Rs. 15 lakhs; that Mr. Darling's recommendations had been brought to the notice of the Local Governments and that the sum allotted would be distributed on the basis of membership of primary societies in each province.

At the last session of the United Provinces Legislative Council the Sapru Unemployment Report formed the subject of debate. The Government of United Provinces while expressing sympathy with the recommendations of the Committee, said that it was not possible to give effect to all the recommendations for want of funds and that it would consider such suggestions as required no expenditure. On further discussion the Finance Member said that if certain taxation proposals of the Government were accepted by the Council, a sum of Rs. 3 lakhs would be set apart out of the new taxes for unemployment relief measures. The Council of course refused to swallow the bait.

H. H. the Aga Khan in the course of an interview to the Associated Press of India explained the main features of his suggested rural uplift programme. He said that there would be taxation of the rich for the sake of the poor and the system of education should be changed so as to lay greater emphasis on its agricultural and industrial aspects. He also suggested, in order to make the uplift of the masses really effective, that

the existing burden of rural indebtedness should be reduced either by writing off a portion of it or by making the rupee so cheap as to facilitate the payment of debts and that an effective propaganda should be undertaken by the organization of exhibitions and of broadcasting in rural areas.

Addressing the United Provinces Legislative Council in February last, His Excellency Sir Harry Haig surveyed the working of the scheme of rural development, the adoption of which was made possible on account of the Government of India Grant. The scheme had been applied, His Excellency said, to every district of the Province and had been given an impetus by the landlords. Any scheme of rural reconstruction could be successful only when people in charge of the schemes gained the confidence of the villagers. Nine health units had been established all over the province, each unit representing a compact area covering some 150 villages with a population of 35,000. Other schemes of development included improved water supply, construction of embankments, improvement of cattle and poultry breeding.

The Hindupur Co-operative Town Bank had at the end of the last co-operative year 813 members with a share capital of Rs. 38,552. There was a slight decrease in the deposits, for the bank reduced the rates of interest on deposits. As there was no demand from the members for loans, the Bank deposited a sum of Rs. 1,15,000 in the Anantapur Dt. Co-operative Central Bank under fixed deposit. The Bank issued a sum of Rs. 95,587-14-0 as loans to members and collected towards repayments of loans a sum of Rs. 1,13,045-7-0. The percentage of balance to demand under principal and interest was 11.9 and 11.8 respectively. The working of the Bank resulted in a net profit of Rs. 2,865-8-0.

The Directors of the Malabar District Co-operative Bank report that in the year 1934-35 there was a slight decrease in its share capital due to the liquidation of some member societies and nearly Rs. 80,000 in deposits. Some of the monies of the Local Boards were refunded to prevent the accumulation of idle money in the Bank. The loans issued during the year amounted to Rs. 76,777 and repayments to Rs. 90,251. The percentages of balance to demand under principal and interest were 82.24 and 34.04 as against 87.7 and 44 respectively. The decrease in overdues was mainly due to the good work of the executive staff of the Bank. After setting apart Rs. 15,787-4-0 towards Bad Debts Reserve and writing off a sum of Rs. 6,032-3-0 the Bank realised a net profit of Rs. 11,378-15-0.

The Central Provinces and Berar Provincial Co-operative Bank, Ltd., had a share capital of Rs. 5,46,290 as on 30-6-1935 as against 5,62,460 as on 30-6-1934. The decline in share capital was only in the case of shares



held by primary societies. The Bank issued loans amounting to Rs. 10,38,725 and recovered Rs. 8,26,005. The two Land Mortgage Banks affiliated to the Bank took only Rs. 17,000 as a loan. These Banks were not able to do much business for the borrowers found the terms and conditions of the Bank very strict. The arrears of percentage to total dues in year was 55.9. There was also a decrease in the deposits of the Bank for the Central Banks withdrew some of their investments. The Bank reduced its rate of interest on deposits and it was this reduction that enabled it to earn a large profit of Rs. 1,25,003-7-4, out of which, however, Rs. 75,000 was transferred to the Bad debts Reserve.

The December (1935) issue of the *Review of International Co-operation* gives the place of honour to an article on the 'Organization of Retail Distribution in Soviet Russia'. It would appear that in that country private retailing agencies have been eliminated almost entirely and even co-operative associations are feeling the pressure of State Retail Distributing Agencies. Orthodox co-operators who believed in the efficiency of the voluntary principle will feel aggrieved that the compulsory element in co-operation is superseding it. But it cannot be denied that, provided the State agency is efficient and honest, the results will be achieved very much quicker than through the voluntary method. But sometimes the shortest cut proves to be the longest route.

The problem of centralised vs. decentralised work of co-operative stores, which agitates the management of the Triplicane Urban Co-operative Society, Madras, finds its echo in far off Canada. In a recent issue of the Canadian Co-operative Official the following views appear :—"The volume of business it is possible to develop at the average rural trading point is too small to insure the maximum of economy. Societies should, therefore, show judicious enterprise in branch store expansion. There is much greater chance of success by a well established society, on a purchase dividend paying basis, opening a branch store than by an adjacent community experimenting with an independent society; and yet if substantial success is shown by a society in one community, people residing in an adjacent one are likely some time to seek to emulate it by independent organization, if a branch of the existing society is not opened." In the writer's opinion, "Efficiently conducted branch stores under centralised management and administration insure a volume sufficient to enable a society to buy to greater advantage. In addition, as the managerial qualifications and much of the service needed by an independent society are not required in the branch store, it is possible to effect considerable administrative economies." While we agree to some extent with this view, we are afraid that in a branch system what the society gains by way of business success will be outweighed by what it loses in co-operative understanding and goodwill among members. A branch store is likely to be regarded as an outside agency and individual members do not feel any sense of responsibility or solidarity and are inclined to treat it as a capitalist provision store.

# LIST OF SOCIETIES REGISTERED AND CANCELLED

## List of Societies Registered in February 1936.

S. No.	Name of the Society.	District.
1.	Kesamanenipally Co-operative Credit Society ...	Nellore.
2.	Mypaud Co-operative Loan and Sale Society ...	"
3.	Atmakur Local Fund Employees' Co-operative Society ...	"
4.	Gouravaram A. A. Co-operative Society ...	"
5.	The Anantapur Government Girls Secondary and Training School Students' Co-operative Stores ...	Anantapur.
6.	Kayiliyad Co-operative Stores ...	Malabar.
7.	Gudalur Co-operative Society ...	Trichinopoly.
8.	Velayuthampalayam Co-operative Society ...	"
9.	Valanadu Co-operative Society ...	"
10.	Vallam Odaiyar Co-operative Better Living Society ...	Tanjore.
11.	Samiyarpatti Kallar Co-operative Society ...	Madura.
12.	Sree Meenakshi Co-operative Stores Ltd. ...	"
13.	Palayam Ekambaranallur Co-operative Credit Society ...	North Arcot.
14.	Chengam Board High School Employees' Co-operative Society Ltd. ...	"
15.	Pundi Co-operative Credit Society ...	"
16.	Sathuvachary Weavers' Co-operative Purchase and Sale Society Ltd. ...	"
17.	Vakkadi Agricultural Improvements Co-operative Society Ltd. ...	"
18.	Pallikonda Agricultural Improvements Co-operative Society Ltd. ...	"
19.	Gudivada Sugarcane Growers Co-operative Society ...	Kistna.
20.	Vuyyuru Sugarcane Growers Co-operative Society ...	"
21.	Rakkipatti Co-operative Society ...	Salem.

## Cancelled in February 1936.

Name of the Society.	District.	Date of Cancellation
Karugorumilli F. L. C. S. ...	West Godavari	3-2-36.
Malapambadi C. S. ...	North Arcot	4-2-36.
Karugorumilli C. S. ...	West Godavari	6-2-36.
Manad Thandupathur C. S. ...	Tinnevely	"
Velur Adi Dravida C. S. ...	Trichinopoly	"
M. Ayyampalayam C. S. ...	Madura	10-2-36.
Arasur C. S. ...	Tinnevely	11-2-36.

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Name of the Society.	District.	Date of Cancellation
Kandulapalem F. L. C. S.	... East Godavary Dt.	... 12-2-36.
Nadhikudi C. S.	... Ramnad	... "
Manchineelagovindinne C. S.	... Kurnool	... 13-2-36.
Melaperungavur C. S.	... Trichinopoly Dt.	... 14-2-36.
Irumbuthalai F. L. C. S.	... Tanjore	... 15-2-36.
Vundur C. S.	... East Godavari Dt.	... "
Royapettah Co-op. Bank Ltd.	... City of Madras	... 16-2-36.
Singanur C. S.	... South Arcot Dt.	... 18-2-36.
Kunnimedu C. S.	... "	... "
Pettai C. S.	... "	... "
Feroke C. S.	... Malabar	... "
Adanapattu C. S.	... South Arcot.	... "
Balinaickanur C. S.	... North Arcot.	... "
Jayamkondam Loan and Sale Society.	... Trichinopoly	... 20-2-36
Ayodhyakuppam C. S.	... City of Madras	... "
Thandavankulam F. L. C. S.	... Tanjore	... "
Jayamkondam North Co-op. Union Ltd.	... Trichinopoly	... "
Gangadharanallur	... Chittoor	... "
Jaganuayukulapalem C. S.	... East Godavari Dt.	... 25-2-36.
Jagamma Timmapuram C. S.	... "	... "
Palaya Ayakudi Devendakulam C. S.	... Madura	... "
Madras Medical C. S.	... City of Madras	... 26-2-36.
Kilapatti C. S.	... North Arcot	... "
Tirukalikunram Co-op. Supervising Union.	... Chingleput	... 27-2-36.
Nandavaram Xian C. S.	... Bellary	... "
Vasanthaveda L. C. Union	... West Godavari	... "
Kakkalur C. S.	... Chingleput	... 28-2-36.
Choolai Danalaxmi C. S.	... City of Madras	... 29-2-36.





Mr. M. GIRIAPPA, B. A.  
*Ag. Registrár of Co-operative Societies, Madras.*

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## Editorial Notes.

### Audit Fees.

Mr. J. A. Saldana's letter on audit fees published elsewhere in this number deserves special attention at the hands of the authorities and of non-official co-operators. He has convincingly shown that the scale of fees charged by Government for the audit of primary societies is unconscionably high, in itself and in comparison with what is charged for the audit of central banks. What can be more absurd than that the Mangalore Catholic Co-operative Society should be charged an audit fee of Rs. 1,030 for the year 1933-34, while the Provincial Co-operative Bank itself pays no more than Rs. 1,000 for the audit of its accounts? Mr. Saldana has also pointed out that the fee charged by Government for some 180 days' work involved in the audit of the South Kanara Central Co-operative Bank is Rs. 593, while that charged for the Catholic Society for about 90 days' work is Rs. 966 for the year 1934-35. A similar complaint was made recently by the Government Telegraph Employees' Society as will be seen from the proceedings of its annual meeting published on another page. The reduction of  $12\frac{1}{2}$  per cent made by Government recently with so much show and the ridiculous power given to the Registrar to give a further reduction of  $2\frac{1}{2}$  per cent in very deserving cases, is not the right kind of remedy. The right remedy is to make

the scale reasonable—compared to the charges of professional auditors who are all better qualified than the departmental auditors, compared to the ability of the societies to pay and compared to the actual work involved. The least that we should expect of Government is that it does not make a profit out of this business. It is no argument to say that the profit made over the audit of paying societies goes to meet to some extent the charges of free audit of other societies. The free audit is done at the tax payer's expense for sufficient reason. In the alternative, the societies may be allowed to form their own audit unions or be given the option of employing approved private auditors. In any case, a vigorous agitation should be conducted by the urban societies until this injustice is removed.

### Consolidation of Holdings.

It is but natural that the prevention of the fragmentation of agricultural holdings and their consolidation should be receiving increased attention at the hands of the Government and of the non-official public in the different provinces and States. The efforts of the Co-operative Department in the Punjab in effecting consolidation and the striking success which has attended them is generally well known to co-operators. In the Central Provinces and Baroda, legislation favouring consolidation on a voluntary basis has been passed, though much has not been heard of its success in operation. In Mysore, a committee of officials was appointed sometime ago whose report is now published by Government for eliciting public opinion. In Bombay, at the last general body meeting of the Provincial Co-operative Institute, a resolution was passed recommending the formation of co-operative societies for the voluntary consolidation of holdings, after Mr. Punjabi, the Registrar of Co-operative Societies, had described to the meeting the success of such societies in the Punjab. Diwan Bahadur S. T. Kambli, Minister in charge of Co-operation, who was present at the meeting, said that the Registrar's proposal would be considered by the Government, now that it had been supported by the Institute. The subject has also been referred for the consideration of a sub-committee of the newly constituted Provincial Economic Council in this province.

The Mysore committee have expressed the opinion that fragmentation of holdings cannot be prevented without amending the law relating to inheritance and that public opinion is not yet ready for it. With this opinion the Mysore Government agree. The committee

also hold that fragmentation has not proceeded in the State to any alarming extent. None the less, they are of opinion that some action should be taken to prevent further fragmentation and to promote consolidation. They recommend that propaganda may be undertaken by the Co-operative Department with a view to familiarise the rural population with the idea of consolidation and its advantages; that legislation may be passed on the lines of the Central Provinces Consolidation of Holdings Act; that exemption may be given from the levy of Stamp duties and other fees; that the jurisdiction of Civil Courts may be excluded; and that in the initial stages the entire cost of establishment may be borne by Government. These recommendations are very reasonable and ought to commend themselves to the public of Mysore.

In our province, it is true that no systematic enquiry into the fragmentation of holdings and its effect on agriculture has yet been held. But inspired by the example of the Punjab, some official and non-official co-operators have devoted some attention to the subject. They have formed the impression that the evil is not as great here as in the Punjab, that there is here much greater variation in the soil than in North India and that the mentality of the ryot also requires to be considerably changed before any consolidation could be attempted. In other words, their impression is more or less similar to the opinion of the Mysore committee. That, however, should not dispose of the matter so far as either co-operators or others are concerned. The *Madras Agricultural Journal* in a recent number has pleaded editorially for the appointment of a special officer with revenue and co-operative experience for the study of this question, seeing how useful Mr. Sathianathan's report on agricultural indebtedness has been. We fully endorse this view, and in doing so believe that suitable officers can be found both in the Revenue and Co-operative Departments.

### A High Court Decision.

A case of some importance to co-operators, especially to liquidators, was recently decided by the Madras High Court. It was a case of second appeal against the decision of the South Kanara District Court and the Court of the District Munsiff of Puttur. The facts of the case are that the liquidator of the Uppinangady Rural Credit Society levied contributions from its members and past members towards its assets. The appellants contended that they had ceased



to be members of the society five years previous to its liquidation and so they were not liable to contribution. The liquidator heard the plea but held that it was not proved and levied contributions from them. They paid the contributions but filed suits for their recovery. The lower courts held that the suits were not maintainable by virtue of Section 42 (6) of the Co-operative Societies Act, which runs as follows :—

“ Save in so far as hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.”

A bench of the High Court, consisting of Justices King and Menou, held that the right of the appellants to be heard by a Civil Court about their liability to contribution was not denied by the wording of the section. “ We are unable to find in the Act any clear indication that the liquidator can determine, in such a way that this determination is not subject to be set aside by the Civil Courts, who are liable either as members or as past members of the society to contribute to the assets of the society. We are of opinion therefore that the decision of the lower courts is wrong and we allow the appeals and remand the suits for decision on their merits.” We reserve our comment on this decision to the next issue. This will lead to serious difficulties in the enforcement of contributory orders and if the decision cannot be got rid of otherwise, the Act may have to be amended to oust the jurisdiction of Civil Courts in such matters.

### Congress and the Co-operative Movement.

Dr. B. Pattabhi Sitharamayya, historian of the Congress, has strongly pleaded in the *Indian Co-operative Review* for the abandonment of mutual suspicion by the Co-operative Department and the Congress, and their joining hands for the success of the constructive programme of the Congress, which means the promotion of communal unity, village industries and the welfare of the depressed classes—items which appeal to every well-wisher of the country. If the Congress and the Co-operative Movement should join hands, he says, “ There will then come into existence a new momentum in the land for which the Congress will contribute the dynamic force and the Co-operative Movement will contribute the necessary mass. And this co-operative mass into (x) Congress velocity will yield the required momentum which will propel the Movement of Rural Reconstruction, Moral Regeneration and Economic Uplift, beyond

all expectation." This undoubtedly is a possibility. We are not without a classic instance of men of very divergent political and religious creeds coming together under the co-operative movement and working for a common object. The genius of Sir Horace Plunkett brought together Ulsterites and Home Rulers, Protestants and Catholics, in the Irish Agricultural Organisation Society and gave them a common programme of starting co-operative societies with the triple object of "better farming, better business and better life." What proved possible in Ireland ought to prove possible here also, if, as Dr. Pattabhi Sitharamayya has pleaded, mutual suspicion can be replaced by mutual confidence.

It is however necessary to utter a word or two of caution. What is a bad business in itself does not become a good one by being carried on by a co-operative society or by the application of co-operative principles. A piece of useless land, handed over to a society of Harijans for co-operative cultivation by them, does not thereby become fertile and capable of supporting them. Articles for which there is no demand do not get sold by merely being put on sale in a co-operative shop. This fact better explains the failure of Khaddar co-operative societies in the Andhra districts than the supposed unsympathetic attitude of the Co-operative Department. Then there is the need for keeping out politics from the affairs of a society. We have had instances of competent and desirable men being put out of committees and incompetent men being put on them from political considerations. Many Urban Banks came to grief in Burma on account of loans being sanctioned from political and not business considerations. While we are anxious to have for the co-operative movement the dynamic force which undoubtedly the Congress can supply, we should perhaps ask, in modern political parlance, for some safeguards against the introduction of politics into the movement or its being utilised for political party advantages.

### Mischievous Propaganda.

At the last meeting of the Bihar and Orissa Co-operative Congress which met at Jemshedpur some time ago, the following resolution was adopted :

"Resolved unanimously that this Congress greatly deplors the wrong impression sought to be conveyed by the Kisan Sabha to the effect that the Co-operative Movement has caused immense harm to the ignorant cultivators and has led to their

harrassment at the hands of bank officials; and expresses its firm conviction that it is almost entirely through co-operative societies that the amelioration of the conditions of the tenantry can be secured. \*

We find a reference to similar " mischievous communistic or communal propaganda, ' no-payment ' campaign or plea for moratorium " in Bengal in the presidential address of Khan Bahadur Maulvi A. M. Arshad Ali, Registrar of Co-operative Societies, Bengal, at the Chittagong Divisional Co-operative Conference which took place in February last; though he expressed satisfaction at the propaganda having made no impression on the members of societies, who in the face of unprecedented difficulties were paying their dues to societies to the best of their ability without any idea of repudiating them—a fact which showed to him clearly that the co operative movement could be rehabilitated. It is rather surprising that communists in Bengal and Bihar—such of them as exist—should have directed their propaganda against co-operative societies, for Soviet Russia has given special encouragement to co-operatives, though it has made terrible inroads on the voluntary principle of co-operation.

It must however be admitted that the soil is more favourable for such propaganda where the permanently settled Zamindari system prevails as in Bengal and Bihar, than elsewhere. The only remedy lies in the Zamindars taking an active interest in the welfare of their tenants and helping them in every way, and this they will be able to do best by means of co-operative societies. As one of them himself, Rai Bahadur Shyam Nandan Sahai, who presided over the Bihar and Orissa Co-operative Congress referred to above, said :—

" They have to reform themselves or the day is not long distant when the cry for their elimination will catch a momentum which no force will be able to resist. Their reformation lies in only one direction and that is they must materially assist in the uplift of their tenantry which they can do no better than by joining the fold of co-operation and helping the movement with money and active work."

These remarks apply with equal force to the Zamindars of our province also.

### Listed Appointment.

The Hon. Mr. P. T. Rajan recently unveiled a portrait of Diwan Bahadur K. Deivasikamani Mudaliar in the office of the Registrar of

Co-operative Societies, Madras. The portrait was the gift of the gazetted officers of the Department to the Head Office. On behalf of the gazetted officers, Mr. G. C. Rayan, Deputy Registrar, described how in various capacities Mr. Mudaliar had served the cause of co-operation and won distinction for himself. Mr. Rajan gratefully acknowledged the help he had received as Minister from Mr. Mudaliar, and said that but for a technical difficulty, in that the post of the Registrar of Co-operative Societies was a listed appointment reserved for the I. C. S., he would have retired as Registrar. It is one of the beauties of the Indian Constitution that even the Government cannot appoint the most suitable person to a post, because it is reserved for men of a particular service. The vested interests of that service are of greater importance to the British Parliament than the interests of the public! We guess there will be no improvement in this absurd position even under the Reforms to come, under which we are supposed to enjoy complete provincial autonomy. Nevertheless, we would suggest it to Mr. Rajan to have the legal position fully explored and to try by every means open to the political party in office to have the anomaly removed.

### Rural Reconstruction.

The fact that rural reconstruction is now being talked about from diverse platforms all over the country cannot but be gratifying to co-operators. It cannot be dismissed as mere blind fashion. It is not surprising that provincial and State Governments, institutions like the Y.M.C.A. and the Servants of the India Society, and even political organisations like the Congress should devote serious attention to it. One may also be prepared to see it dealt with in Convocation addresses and in gatherings of medical men, economists etc. But it is something of a surprise—of course a very agreeable surprise—to find at about the same time Mr. C. R. Reddi speaking on this subject at Bangalore to the members of the Cox Town Athletic Association and the Maharani of Travancore speaking to the members of the Women's League at Delhi. It is a cause in which everyone can help. As Mr. Reddi rightly pointed out to the members of Cox Town Athletic Association, people like them could organise village games, open night schools and reading rooms, improve village sanitation by example and precept, encourage small scale industries and above all, help in the campaign against untouchability. In some if not all of these directions, influential ladies like those who were addressed by the Maharani of Travancore at Delhi

could also participate. The chief aim of all rural uplift programmes in our country is to bring about a change in the mentality of our rural population, to disturb its pathetic contentment, to evoke a desire for a better standard of living and to create the will to attain it. For this purpose a close contact between the villagers and the educated classes at various points is necessary, and contact through games is perhaps even more valuable than through other means. We commend the idea to all educated young men.

### **Registrar a President.**

Perhaps the only instance of a Registrar of Co-operative Societies being the president of a co-operative society is afforded by the United Provinces where Mr. Vishnu Sahay, I.C.S., is the president of the U. P. Co-operative Officials' Co-operative Society, Ltd., Lucknow. The membership of this society is open not only to Government servants but also to the employees of the U. P. Co-operative Union and other co-operative institutions. It is the successor in a reorganised form of the U. P. Co-operative Union Employees' Fidelity Guarantee Society and has inherited its business and funds. As it was organised in February 1935, the report which we have before us is only for a period of four months during which the society worked in the directions of credit, fidelity, housing and mutual benefit. The period is too short for one to judge of the work of the society, but one is pleased to see the optimism and enthusiasm of the committee as revealed by the report. The question however comes to one's mind, "Is it desirable that a Registrar should be an office-bearer in any society?"

## The Madras Handloom Weavers' Provincial Co-operative Society, Ltd.

BY DIWAN BAHADUR T. A. RAMALINGAM CHETTIAR, B.A.B.L., M.L.C.

Next to agriculture handloom weaving is the most important industry in India, and Madras takes the first place among the provinces in the production of handloom goods. On account of the competition of imported piece-goods and the increase in the production from the mills in this country itself, the weaver is finding it more and more difficult to make a living. It is computed that in this Province there are about 3,000,000 people depending on hand weaving and allied industries. It is therefore necessary that those interested in the welfare of the country should devote some attention to the study of the conditions of the industry and those that depend on it and try to improve them.

Even though the consumption of yarn by the handloom industry has not gone down, still many of the paying lines of work have been already closed down because of their precarious existence. Even in cheap cloths the competition of Japanese cloth is affecting the market for the handloom products.

The economic position of the industry is also in a very unsatisfactory condition. The weavers are very poor and they depend entirely on the wages they get. Middlemen, master-weavers or merchants, advance yarn and take back the woven cloth at a valuation which leaves but a bare maintenance to the weaver. Even for this, work is not always available, as the master-weaver or the merchant gives orders for cloth only when it is in demand in the market. So the weaver does not always find work without the help of the merchant. The weaver has no marketing facilities. When he happens to have some yarn and weaves cloth, he has to sell it at the end of the day for whatever it may fetch. The weaver naturally thinks of stealing some of the yarn given to him and the cloth is not always upto the standard. In some cases the measurements are not also upto the specification. So there is further deterioration in his work, leading to want of confidence. The weavers are also given in several cases to drinking and the weaving families are always living in a state of poverty. While this was the condition even before, the import of the cheap Japanese cloth and the increased production of the mills with their cheap prices, have affected the position of the handloom weavers and made it worse. Some of the special lines of

work like border cloth have been copied by the mills and the mill cloth is becoming more and more popular. The Japanese unbleached cloth has been imported and dyed locally. This is being sold in place of sarees. Weavers in Salem, Madura and Tanjore districts have been thrown out of employment by the competition of these Japanese locally dyed sarees. The problem is becoming acute.

During the Indo-Japanese negotiations for trade treaty in 1933, the position of the handloom weaver was represented to the Government and it was pressed that all weaving upto 20 counts should be prohibited in the mills, so that at least upto 20 counts the handloom weaver may have a monopoly. It was also represented that special protection should be given to the handloom weaver with reference to particular lines which are likely to compete with him. It was also said that any duty on imported yarn used by the handloom weaver was likely to handicap him in his competition with the mills. The Government, after considering these representations, decided instead of giving the help asked for to give grant-in-aid for the organization of weavers and help them to market their goods. Anybody who has studied the question will realize that this is not enough and that unless some of the lines of weaving are reserved for the handloom weaver his position cannot be saved.

In 1934 the Government of India promised a subsidy of 4½ lakhs per year for the development of the handloom industry for five years and decided to grant most of it for work through the Local Governments. Each Government was asked to send a scheme of assistance to handloom industry to the Government of India for approval to spend the amount allotted to the province. Even though the consumption of yarn by handloom industry is the highest in Madras, Madras gets only Rs. 59,500 a year as against Bengal receiving Rs. 80,000 and United Provinces receiving Rs. 72,000.

The Director of Industries, Madras, proposed that a Provincial Co operative Society be formed consisting of all those who sympathise with the lot of the handloom weavers, firms engaged in the production, distribution or sale of raw materials required by the handloom weavers, and co-operative societies intended mainly for the benefit of the weavers, with an authorized share capital of Rs. 5,00,000. He realized that the subsidy of Rs. 59,500 would not go a long way to finance societies and so he proposed that the amount may be utilized for the expenses of administration during the years the subsidy is given. He proposed that the whole of the subsidy be given to the Provincial

Society for recurring and non-recurring expenditure. But the money for financing the society and the affiliated societies was to come out of the capital subscribed and money raised by loans etc.

The society was formed in April 1935, but it actually started work only in August. As the first Board of Directors were nominated by the Government and the nominations were made only then, it was not possible to start work earlier. The Director of Industries, the Textile Expert and the Registrar of Co-operative Societies are *ex-officio* members of the Board of Directors. The nominated Board will be in office for one year, at the end of which period the Board will be elected.

The scheme, as originally proposed, was to start primary weavers' societies in the mofussil, thirty in a year, and to appoint five marketing agents for the sale of the products in the mofussil. In Madras there was to be a Marketing Officer, a Cloth Designer and a Costing Clerk in addition to the Secretary and other usual clerical establishment. The idea was that raw materials should be supplied to the weavers through the primary societies and the finished products might be sold either locally or in Madras. The Provincial Society was to undertake the financial responsibility at all stages. In addition to it a sum of Rs. 10,000 was provided out of the subsidy for the establishment of power driven machinery for finishing and calendering, as well as for preparing and distributing ready made warps for handlooms. The question of effecting reduction in the manufacturing costs was to be studied; and the handloom goods should be made as cheap as possible and an increase in demand for them should be created. It was also contemplated to start a dyeing factory. The provision of Rs. 10,000 was to cover a portion of the cost of the machinery to be installed.

For the hand woven goods to become popular it was necessary to study the market and produce fabrics such as could be marketed in or near the areas of the primary societies. The demand for fabrics for the export market, such as for lungis and Madras handkerchiefs, will have to be studied and the patterns wanted will have to be manufactured by the societies. These were the lines that were chalked out for the working of the society.

The society started by appointing a Marketing Officer in Madras and seven Supervisors of Production Societies who were also marketing agents for the primary societies. Most of the weavers' societies were dormant. So societies had first to be started or revived before any work could be begun. The Provincial Society undertook to give guarantee to the mills for supply of yarn to sixteen societies and ten of them actually have been supplied. It was believed that a supply of yarn with the guarantee of the Provincial Society by the mills direct would cheapen the price of yarn to the consumer. Complaints however are being heard that this is not the case. We are



also hearing that Japanese yarn is much cheaper than the Indian mill made yarn and that it should be supplied to them in preference to Indian mill made yarn. So far, for want of proper agencies in Madras for the supply of Japanese yarn, no such arrangements could be made.

Share capital has not been forthcoming as expected, as this is a line of work in which regular decent profits are not assured. So far shares to the extent of about Rs. 20,000 only have been allotted. Unless persons who sympathise with the movement and who take an interest in the welfare of the weavers, come forward to take shares largely, the society cannot be of much use to the weavers. The number of societies that can be helped is dependent on the share capital available, which is to form the basis for the guarantee to be given to the mills for the supply of yarn and also for financing the societies. It is hoped that the public will realize the importance of the industry to the country and will generously come forward to take shares in the society.

The most difficult part of the work is marketing. So far attempts were made to find a sale through retail dealers and co-operative societies. The price offered by the retail dealers is very low and it is not possible to supply at the rates offered. The terms offered by them as well as by the co-operative stores societies are very high and prohibitive. So it has been decided that an emporium may be started in Madras and sales depots at Madura, Bezwada and Calicut may be started in the beginning of the next year. It is to be seen how far these sales depots will help to clear the goods manufactured by the societies. Attempts are also being made to get wholesale orders for export goods like lungis and Madras handkerchiefs and have them supplied by societies. The success or otherwise of the Provincial Society will depend mainly on the capacity of the society and its officers to find a sale for the goods of the societies. If the goods are not sold the production of the societies has to stop and the weavers will not have regular continuous work.

The products of some of the societies were exhibited at the Park Fair, Madras, and it is hoped that the exhibition has to a certain extent shown the consumers the availability at reasonable prices of hand woven fabrics and that the goods have received general appreciation.

The Society, after advertising for and appointing the officers, began regular business only about the beginning of December. It is too early to affirm what it has been able to do so far within the few months of its working. The necessity has been found for the establishment of sales depots. What further experience will show, it is not easy to prophesy both on the production side and on the marketing side. There are many problems to be solved.

## Applicability of Section 73 of the Code of Civil Procedure to Sales Under Section 57-A of Act VI of 1932.

BY P. K. SRINIVASARAGHAVA ACHARYA, B.A.

A very interesting situation is created when the property of a judgment-debtor is attached and brought to sale by one of his creditors through the civil court and at the same time by a society through the department in accordance with the provisions of Rule XXII in execution of a money decree against the same judgment-debtor. In such cases the procedure to be followed by the Registrars of the District is laid down by the Registrar in his circular F. 5315/33 dated 20-6-1934. It runs as follows:—

‘It has been brought to the notice of the Registrar that there are cases in which properties of the defaulters *sought to be attached* in execution of decrees under section 28 of the Act are *already* under attachment by the civil courts. In such cases the Registrar of the District will attach the properties and send intimation to the civil courts concerned. The rateable distribution of the sale proceeds of the properties will be governed by section 73 of the Civil Procedure Code. As it is not possible to state which is the court of the highest grade—the civil court or the Registrar of the District—in the absence of any authoritative ruling or decision in the matter, the Registrar of the District should leave collection and distribution to the civil court itself.’

It has to be noted that the Registrar by his circular has sought to provide only for cases where the property has been first attached by the civil court and not even for cases where the property has first been attached by the society through the department. The circular is delightfully vague and embraces cases where under the rules the society is put to the necessity of attaching in execution of mortgage decrees the very properties that have been mortgaged to it. Implicit obedience to the circular would make the Registrars of the Districts stay their hands when the hypotheca that are being brought to sale are attached through the civil court by a decree-holder in execution of a simple money decree against the same judgment-debtor. It is not to be supposed that such a position cannot arise. The very object of getting mortgages and thus securing the repayment of loans advanced is set at nought by the circular. One cannot help feeling

that this circular ought to have been more carefully worded. Admittedly the Registrar has before issuing this circular applied his mind to sections 73 and 63 of the Code of Civil Procedure. It does not seem however that he has been pleased to consider as to whether both these sections have any application to proceedings in execution taken through the Co-operative Department.

Unless Registrars of Districts can be called 'Courts' within the meaning of the two sections under reference, when such Registrars are executing decrees according to the provisions of section 57-A, sections 63 and 73 can have no application. It should be remembered that among the various functions assigned to Registrars of Districts there are two very important ones which are necessary to be considered. He is authorised to receive references regarding disputes enumerated in section 51 of the act and he is asked to execute decrees under section 57-A (originally section 28) of the Act. When functioning under section 51 he is a 'Court'. The question as to what a court is has been answered in XLI Madras Law Weekly 503. After reviewing the case law on the subject Their Lordships lay down at page 511 the following test for determining as to whether a tribunal can be styled a 'Court'. They are pleased to observe: "To summarise the effect of these decisions, it would seem that we have to look not to the source of a tribunal's authority or to any peculiarity in the method adopted for creating it, (though it is undoubtedly a consideration that it derives its powers mediately or immediately from the Crown) but to the general character of its powers and activities: If it has power to regulate legal rights by the delivery of definitive judgments, and to enforce its orders by legal sanctions, and if its procedure is judicial in character in such matters as the taking of evidence and the administration of the oath, then it is a Court". It has been clearly laid down in XXXII Law Weekly 273 and XXXVIII Law Weekly 880 that the Registrar deciding cases under sections 51 of the Act is a 'Court'.

Applying the test to the Registrar functioning under section 57-A of the Act, it has to be felt that he does not satisfy any of the conditions laid down in that test. The Rule relating to the execution of decrees is rule XXII. The functions assigned to the Registrar are as follows :—

- i. To transfer the execution application presented to him to the Registrar within whose jurisdiction the defaulter resides or the property is situated ;

## SALES UNDER SEC. 57-A OF ACT VI OF 1932

- ii. To verify the correctness and genuineness of the particulars set forth and prepare a demand notice and forward it to the sale officer (Sub-rule 2) ;
- iii. To forward the application and the notice to the Registrar of another district where the defaulter is residing or the property to be attached is situated outside his jurisdiction (Sub-rule 2) ;
- iv. On receiving reports from the sale officer to direct the withholding of amounts from the salaries of public servant-defaulters (Sub-rule 5) ;
- v. To issue prohibitory orders in cases mentioned in Sub-rule 6 ;
- vi. To direct that the deposit by an auction purchaser under certain circumstances be forfeited to the Government (Sub-rule 7-2) ;
- vii. To set aside or confirm sales ;
- viii. Authorise the sale officer to grant receipts.

In short, he has been invested with all powers except those that can go to make him come within the definition of a 'court'. It is rather queer that the framers of these rules, while empowering the sale officer to *investigate and decide* claim petitions, have not thought it fit to invest the Registrar with any of the functions that would bring him within the definition of a 'court'. It may be contended that the sale officer acting under sub-rule 17 is a 'court' but it would be entirely futile to contend that the Registrar functioning under section 57-A of the Act is a 'court'.

If the Registrar of the District is not a 'Court' then it is not possible to understand as to how rateable distribution can be claimed under section 73 of the Code of Civil Procedure for sums due under decrees being executed through the department. The question as to which of the two—the Registrar or the Civil court—is of superior grade does not rise. Consequently the applicability of sections 63 and 73 of the Civil Procedure Code to such cases need not be considered.

Another feature of the circular is that the Registrar is advised to intimate to the civil courts that he has attached the properties. Intimation cannot and does not amount to an application for execution of decrees. Rule 11 of Order XXI of the Code of Civil Procedure does not enumerate intimation as one of the modes for executing

decrees nor does it contain any provision for the Registrar moving a court when the motion ought to proceed from the decree-holder.

Conceding for the sake of argument that the Registrar is a 'Court', even then the difficulty of applying sections 63 and 73 to such cases does not vanish. Certainly the Registrar is not a Civil Court in 43 Allahabad 612 of 1921 A. I. R. In 142 it was considered as to whether section 63 is applicable to a case where the property of the same judgment-debtor is being brought to sale by the civil and revenue courts. Their Lordships, following a ruling in XXII Allahabad, are pleased to observe towards the close of the judgment: 'It is quite clear that section 63 applies only as between civil courts, or where the section is extended to the revenue courts it applies as between the revenue courts, of which there are *several grades* just as there are several grades in the civil courts. There is no provision of the law similar to section 63 which would apply to civil courts and revenue courts.'

The circular of the Registrar if followed would lead to results not at all possible to have been contemplated by persons responsible for it. The decree-holder executing his decree through the civil court can successfully snap his fingers at the less fortunate society executing its decree through the department and attempting to get a rateable distribution of assets realised by the civil court.

It is said, and that too truly, that the troubles of a creditor begin only after he obtains a decree. In the case under consideration the rules framed by the Government do not tend to lessen the difficulties of societies which have obtained decrees against defaulters and are executing them through the department. It is to be hoped that those who are in power will be pleased to consider the defects that are at present existing in the rules and set them right.

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## Co-operative Marketing of Cotton.

BY J. S. PONNIAH, M.A., DIP., ECON., F.R.E.S.

*American College, Madura.*

The virtual failure of the Dindigul Co-operative Commission Shop in the Madura District\* is in striking contrast with the splendid success of the Koilpatti Co-operative Sale Society in the Tinnevely District. The figures tell the story most convincingly. At the time of its starting, (24-10-26), the Koilpatti Society had a membership of 25, which rapidly went up to 54 before that year ended (31-12-26). By the end of the next year (31-12-27), that is, within 14 months after its starting, the membership broke all records and jumped to 486. In 1932 it stood at the peak figure of 842. A single sale society in a mofussil town to have such a vast membership even during the depression years is a singular phenomenon. With such a huge membership, the financial aspect of the society is certainly cheering. From Rs. 320 in 1926 at the time of starting, the share capital leaped to Rs. 7,394 in 1934 (the peak figure was in 1931 when it stood at Rs. 8,615). The loans advanced to members have never been below five digits in any year, while in 1929, they actually rose to Rs. 1,48,358, of which only Rs. 3,306 or about two per cent alone was outstanding for collection. Last year a short term deposit of Rs. 4,000 stood to the credit of some members and a fixed deposit of Rs. 100 to the credit of one or two non-members. Village credit societies' membership in the sale society is but negligible—36 out of 682 or only about five per cent.

The transactions are entirely encouraging. From 163 candies of lint and 259 pothies of *kapas* received for sale in 1927, the figures rose to 1823 candies of lint and 5,335 pothies of *kapas* in 1932, the record year. The net profit in that year was Rs. 1,414, and it is highly gratifying to find that in spite of a slight fall in the receipt of stocks for sale in 1933 and 1934 and also of heavy fall in prices, the profits have been steadily increasing from Rs. 1,533-8-0 in 1933 to Rs. 1,803-0-0 in 1934. No wonder that the society's reserve fund at the end of the year stood at Rs. 1,537-10-0. The Provident Deposits also amount to Rs. 4,100.

A glance at the figures will tell that, if a comparison is made between membership and net profits, the per capita share will

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\* An account of this society appeared in the Madras Journal of Co-operation.

work out only at a miserable sum of less than Rs. 3. But in the table appended to this will be found a column denoting the "number of members benefitted" which is the real basis for the calculation of per capita profit. Dividing the net profits by the number of members benefitted, that is, those who have actually sold through the society we get a most encouraging rate per head—Rs. 225 for the year 1934.

If the members benefitted are only so few—80 out of a total of 682 for 1934—what is the meaning of this amazing difference between the number of 'active members and the sleeping members' in the society? Does not this tend to give a misleading impression about the transactions and the assets of the society? Would not the largeness of nominal members on the roll bring problems of its own in administration and general body meetings?

One is apt to feel that the whole idea of keeping up such a huge membership figure is a matter of window-dressing for purposes of advertisement and propaganda. But the truth is different. There is a strong community of interests among the members, who are mostly drawn from the Telugu-speaking Naidu and Reddi castes; they are a peculiar people, who act together, live together, and share together—though each one may have little to contribute individually to the group activity; everyone in the community desires to have the membership, because it is a community affair, though he may have almost nothing to sell through the society.

If the per capita turnover and the profits of the active members are satisfactory, what is the proportion of the business done by the whole society to the total of the market at Koilpatti? The normal total amount of cotton coming to the Koilpatti market is 5,000 candies. It is pleasing to find that the society's share has been nearly one third in 1933 and 1934 and more than half in the record year of 1932 (2663 candies out of 5,000 candies). What a contrast between the volume of business done at Dindigul and that at Koilpatti!

A further test should be applied to clear another possible misapprehension about the real success of the society. Supposing that out of the 80 active members, the majority, or a good many, at any rate, are the local traders, will not our admiration for the society vanish? But the fact is that there are only ten cotton merchants in the whole town of Koilpatti and only two of them are members of this Sale Society. All the rest of the 80 are ryots. The Sale Society is truly a ryots' society!

Now what is it that makes for the success of the society, which is like a diamond among pebbles? Really it is the unabated loyalty of the members—they deliver the whole of their produce to the society. Is loyalty a monopoly of the tract or a heaven-sent gift to the members of this society, while it is as rare as hen's teeth in other societies? We have indicated the answer in a previous paragraph. It is the community of interests and the social solidarity of that homogeneous Telugu people that is the real cause. The man who exploited this factor and gave it the most tangible and fruitful expression is Mr. Alagirisami Naidu, a gentleman of high character and broad public spirit. The success of co-operation in India depends on such men only; less on the text-book maxims, however inspiring they may be, and the official machinery of the Department of Co-operation. Its present success is also due to the vast business experience in the cotton trade and the practical ability of its present President, Mr. Muthiah Nadar, a gentleman of equally high character and broad public spirit with Mr. Naidu.

With the loyalty of members and the managerial ability and the business acumen of the office-bearers one is apt to deduce that the success of the sale society should be certain; but in India, the fundamental difficulty in co-operative marketing is more on the side of the risks of the business side of marketing than on the availability of loyalty or managerial ability. Cotton is a typical example; for it is extremely difficult even for men who have grown grey in the trade to assess accurately the lint out-turn of the *kapas*, or the grade of the lint; again cotton is a commodity in which price fluctuations are chaotic. Co-operative marketing of cotton is certainly most difficult and requires the greatest amount of business ability.

And how have the members of the Koilpatti society solved this difficulty? A glance at the figures in the table would give us the secret. A good proportion of the goods actually delivered to the society is lint and not *kapas*; and even when *kapas* is delivered it is first ginned by the society and then the lint alone is put on the market. This is a unique difference in the methods of cotton marketing between Koilpatti and all other cotton markets of the southern districts. And it calls for a brief explanation.

How is it that the ryots deposit lint for sale? The answer is that in all the big villages the well-to-do ryots have their own ginneries. Again, a good many ryots are substantial farmers with large farms, and could afford to wait for selling their product leisurely by



having it ginned first before selling it. The virtue of loyalty is a quality of the financial stability of the farmers. It is no use deploring the lack of that quality in places where the farmers are too small and who could ill afford to have their produce ginned and stored for a sale after the market has improved.

The comparatively larger size of the farms and the greater financial stability of the farmers and their handling of lint in preference to *kapas* do not explain the whole truth about the success of the Co-operative Sale Society. For, another important requirement for co-operative marketing is that the produce should be sold in large bulk to the direct buyers; in the case of cotton either to the spinners or the exporters. Bulk selling implies large amounts of uniform quality or of definite grades. How does the society meet this requirement? It is needless to point out that the cotton grown in the Koilpatti tract is of one variety mostly—the fine Karunganni evolved at the Departmental Farm. The produce of the members makes up a good quantity.

We should ask at this stage whether the Koilpatti Society is selling the produce of the members *co-operatively*. For co-operative marketing is group-selling and group-sharing. How does the society fare in this test? One's enthusiasm for the society is bound to receive a sudden shock at this stage. The members sell their produce severally and in individual lots. The only evidence of co-operative selling is that all the members employ only one broker—the society! It is no use having any delusion about this fact; as it is, the society is but a commission shop, though a number of favourable features loyalty, bulk-supplies, definite grades—make the society appear as a full fledged co-operative marketing society.

It is true that under the existing circumstances at Koilpatti there is not much need for pooling, standardisation and grading, for the reasons given already in the preceding paragraphs, whatever may be the case in the other areas; but that need not stand in the way of the society selling co-operatively.

If the last defect pointed out in the preceding para were removed, the success of the Koilpatti society would be an unqualified one.

If the success of the society continues, is it necessary or wise for the society to branch out and establish out-posts for the sake of expanding its activities? The answer is an emphatic negative. For at present the conditions that favour the success of this society are absent even in the immediate neighbourhood and therefore any attempt at extension is bound to end in disappointment. This has just been borne out by experience. The society opened a Branch at Satur, a very big cotton centre, just 14 miles to the north of Koilpatti and had to close it after a few months. Another Branch opened at Rajapalayam, about 50 miles away to the west, has no other work to its credit except that of loans advanced on the pledge.

of produce to the extent of Rs. 4,000. Another Branch in a neighbouring village, Kasturirangapuram, has also been the recipient of loans to the extent of Rs. 25,000. Instead of encouraging or working at such activities one is compelled to condemn them outright; for they tend to dissipate the energies of the society in undesirable directions and in undertakings which are bound to involve it in losses.\* A co-operative sale society is not surely a pawn shop or a loan office.

The above statement is not meant to imply that the central society should cease to grow and confine its activities to the headquarters only. Theoretically there is a strong case for increasing the volume of the transactions of the society by establishing a number of Chain Societies; but it must be repeated with great emphasis that the aim of co-operative selling would be defeated rather than promoted by such an experiment at branching out at this stage. Until pooling becomes a practicable proposition, it is wiser to be marking time. The best method of achieving the object of enlarging the turnover would be to start independent co-operative sale societies in such localities where conditions are favourable. Then may a plan of federation or co-ordination be tried.

This is by no means a call to dead stop for the Koilpatty Co-operative Sale Society. It has a very big task ahead—far more important than increasing the volume of business or building up a larger reserve fund—and that is the establishment of a link between marketing and production. The Sale Society at present is carrying on a small business in seed distribution. It treats this business as a subsidiary or a side issue though it is one of the means of rearing good profits. In 1933 it handled Departmental seed worth Rs. 2,000. There is no need to point out that this work is but a fraction of what is needed for the whole of the Koilpatti cotton growing area of about four lakhs of acres.

If the society could expand this business of seed distribution not for profit making, but for better-farming and for promoting a common interest among the members for growing improved cotton, as the co-operative seed societies of Coimbatore are doing, it will supply one link that is now essential to make the co-operative chain strong and enduring. With this aim in view, the immediate object of the society should be to open a number of seed societies as auxiliaries and not as independent concerns and link them up with the central society for marketing as well as production. A grant from the Indian Central Cotton Committee for this purpose as is given to the Tiruppur Society is certainly an urgent necessity.

\* The area of operations of this society should be severely restricted to the Koilpatti Tract; the bye-laws should be immediately amended accordingly.

## O. 522. Koilpatti Co-operative, Sale Society, Ltd.—Progress Statement.

Year.	No. of Mem- bers.	No. of Mem- bers benefited.	Share Capi- tal.	Loans issued to Members.	Loans out- standing.	Stocks Recd.		Sold.		Value of seeds sold.	Quantity of seed sold.	Gross income.	Nett profit.	Total Re- serve Fund.
						Rs.	Rs.	Lint Candles.	Kapas Pothies.	Rs.	Rs.	Rs. A.	Rs. A.	Rs. A.
1926 ...	25	...	Rs. A. 320 0	Rs. ...	Rs. ...	...	...	...	...	Rs.	...	...	Rs. A. 76 0	...
1927 ...	486	22	4,625 0	20,510	8,710	163	259	77	12	1,782	...	530 0	-47 0	19 0
1928 ...	663	86	6,175 0	1,26,845	24,110	1,224	6,228	1,023	137	...	...	5,110 0	1,121 0	19 0
1929 ...	769	69	8,310 0	1,48,358	3,306	1,546	5,634	1,511	130	1,121	3,05,472	6,269 0	154 0	311 0
1930 ...	790	34	8,355 0	13,775	902	180	869	135	159	900	17,664	735 0	-565 0	350 0
1931 ...	823	56	8,615 0	56,193	17,666	1,005	2,022	656	48	1,028	83,583	2,473 0	-557 0	350 0
1932 ...	842	129	8,586 8	1,04,280	14,105	1,823	5,335	1,732	152	1,055	12,107	8,528 0	1,114 5	703 6
1933 ...	775	73	8,023 0	34,178	17,580	1,227	2,434	667	9	1,985	61,435	4,160 0	1,533 8	1,086 12
1934 ...	683	80	7,397 14	49,787	7,886	1,400	2,142	1,084	...	687	10,727	5,181 3	1,803 5	1,537 10
1935 ...	775	...	...	...	...	...	...	...	...	...	...	...	...	...

Remarks.—Society Members in 1934-35—36.

Branch at Kalugumalai 1931.

Branch at Rajapalayam opened in 1927.

Central Bank cash credit Rs. 30,434.

## Tiruppanangadu Button Manufacturers Production and Sale Co-operative Society.

BY MR. K. NARAYANASWAMI MUDALIAR.

*Deputy Registrar of Co-operative Societies, Vellore.*

A co-operative production and sale society on limited liability basis has been registered for the button manufacturers at Tiruppanangadu, a village belonging to this District and lying 10 miles west of Conjeevaram. Its postal address is Tiruppanangadu village, Dusi Post, in the Cheyyar Taluk of North Arcot District. This industry affords a subsidiary occupation to some of the ryots of the village who know the art of button manufacture, and also gives a profitable use to spare time which in many villages runs into waste. There are at present 45 members with a paid up share capital of Rs. 132. There is every scope for the expansion of the society. The objects of the society are to improve the button making industry and develop the art of button manufacture and to provide a market for the ready sale of buttons manufactured by the members and sell them to their best advantage.

The society runs a small factory consisting of six machines. Besides some adults who are now employed at the factory, a few lads of the village are also working at the factory as associates. There is a trained teacher to instruct these workmen, watch and regulate their work. The workers get wages according to the quantity of buttons produced each day.

The materials that are mostly used for the manufacture of buttons are semmaram, palamaram, sandalwood and bones. Buttons of various patterns are being produced. Shirt and coat buttons of various designs, and collar and cuff buttons are being manufactured. The quality of the material used and the workmanship are good and can well compare with and even excel their kind available in the market.

The buttons manufactured in this factory were exhibited at Tiruvannamalai during the last Kirthigai Deepam and at Madras during the Park Fair exhibition, when they were very much appreciated by the public at large. The prices of the various kinds of buttons produced are also comparatively very cheap. Government officials who had occasion to visit the society have also been very much impressed with the quality and price. As the society is now in its infancy it requires wide publicity and facilities for marketing its finished goods. Mr. S. A. Venkataraman, I.C.S. Collector of North Arcot, who visited the society on the 29th December 1935 was pleased to observe as follows:—

“I was greatly interested to see this tiny factory and to watch the village lads putting their hands to simple manufacturing work of this kind. We want more of such industries. They not only make us more self-supporting as regards our minor wants but also fill a gap in ordinary village economy by giving a profitable industrial bias to spare time which now largely seems to waste. The buttons are of fairly good quality. I only hope that the sponsors of this enterprise will not neglect the marketing and selling side of the business, for that is where most of our undertakings come to grief.”

## Conferences.

### TINNEVELLY DISTRICT SUPERVISORS' CONFERENCE.

The Second Conference of the Supervisors of Tinnevelly District was held in the premises of the Central Bank on Saturday the 7th March 1936 with Mr. S. M. A. Muthu Pillai in the chair. Mr. M. D. Kumaraswami Mudaliar, President of the Bank, concluded the proceedings with a short and instructive address to the Supervisors.

#### **I. Important Circulars issued by the Registrar, the Deputy Registrar, and the Bank, were read and explained.**

*Collection* :—It was impressed on the supervisors that the collection of overdues was one of the most important items of their work, though not their sole work. They were instructed to carry on collection work in an organized manner especially during the harvest season and show nil balance in the societies in their charge. Of the several items which were dealt with, the supervisors were instructed to pay special attention to the following points for expediting collection. They should prepare a list of village officers and Government Servants and Employees of Local Boards, who are defaulters so that arrangements may be made to address the heads of the concerned Departments. Arrangements should be made for taking speedy execution proceedings against non-resident defaulters through the Sale Officers of the area. They should also ascertain the sales pending confirmation and address the Deputy Registrar to confirm them at an early date. After the sales are confirmed they should arrange to dispose off the properties and remit the sale proceeds to the Bank. They were also reminded of the fact that in many cases where sale certificates were obtained no action had been taken either for taking possession of the properties or for disposing them off. Moneyed men in the villages should be approached tactfully and persuaded to purchase the properties. Depression, of course, renders it difficult to dispose off the properties but it cannot be attributed to all cases. In cases where it is not possible to dispose off the properties they should be leased out and lease deeds obtained. In cases of long term mortgage loans the supervisors were instructed to transfer them to the Land Mortgage Banks working in the area. Their attention also was drawn to the existence of the loan and sale societies in the district and they were instructed to induce the members to pledge their produce in the nearest loan and sale society, get temporary money accommodation and wait for a favourable market, when the produce could be sold to the best advantage.

## CONFERENCES

Proceedings awarding red marks to two of the supervisors for having effected good collections of long standing arrears were read, and the others were exhorted to show similar progress during the ensuing collection season.

### II. Duties and Responsibilities of the Supervisors.

Detailed instructions were given by the Secretary about their duties and responsibilities and their attention was drawn specially to the following points:—

(a) The importance of the annual correct revision of the property statement and the necessity for its completion before the close of the second quarter.

(b) Necessity for the individual verification of borrowers, its objects and advantages.

(c) The importance of the verification of bonds and decrees and the procedure to be adopted in the case of missing ones.

(d) That the supervisors would verify the cash-balance soon after their arrival in a village and that they should arrange to remit heavy cash-balances before leaving the village.

(e) Adjusting head. Steps to be taken for the readjustment of the items, before the next audit comes off.

(f) Propaganda and education of office-bearers and correct and up-to-date maintenance of account books.

(g) Revival and expansion of societies.

(h) Granting of short term loans for agricultural purposes as per orders of the Registrar and the fixing up of due dates.

### III. General Instructions.

The Secretary pointed out that though detailed instructions were given to them in the previous Conference it was still found that they had not improved in many respects. Many of the Supervisors did not submit periodicals in time, necessitating issue of reminders. Reports were prepared in a most careless manner. Many reports were devoid of any meaning. They should learn to improve and be punctual.

### IV. Non-Credit Work.

(a) The Supervisors were instructed to do propaganda work in favour of the Co-operative Life Insurance Society and the Button Manufacturing Society in Vellore District. To start with, Supervisors who have not themselves insured their lives, were exhorted to insure their lives in the Co-operative Life Insurance Society at least for Rs. 500 each.

(b) It was brought home to them by the Secretary that want of proper marketing facilities was one of the vital causes that were responsible for the decreasing repaying capacity of the agriculturists and detailed instructions were given to them for the development and expansion of the existing loan and sale societies and for the organization of new societies where there was scope for the successful working of a venture of the kind.

#### V. Loan Applications: Preparation—defects—what to do.

Short notes and instructions were given regarding the defects found in loan applications, registration of bonds, encumbrance certificates etc. They were reminded that the repetition of similar defects would seriously reflect on their capacity for work, as the very recovery of the loans depended on the accuracy of the particulars furnished at the time of preparing the loan applications.

#### VI. Registrar's Scheme Work.

Detailed instructions were given about the scope and potentialities of the Registrar's Scheme Work, bringing out the importance of securing the ill-secured loans and correctly assessing bad debts.

#### VII. Rectification of Audit Defects.

It was pointed out by the Secretary that many of the supervisors postponed the rectification of audit defects which resulted in the issue of lengthy defect-sheets year after year and the accumulation of the amount in the adjusting head. They were instructed that this should not be neglected in future on any account and that the defects pointed out in one audit, should not stand unrectified during next audit.

#### VIII. Doubts and difficulties of Supervisors.

Supervisors were encouraged to discuss their practical difficulties in carrying out their duties. Doubts were cleared and advice given how best to overcome practical difficulties in the discharge of their duties.

As a result of their representation and to give them some additional stimulus to discharge their duties faithfully, their F. T. A. was recommended to be raised from Rs. 7 to Rs. 8 per mensem to the Committee, who have since been pleased to raise it accordingly.

At the end; the President of the Bank delivered a short and instructive lecture (*Omitted—Ed.*) exhorting the Supervisors to discharge their duties sincerely and efficiently and thus earn credit both to themselves and to the institutions which they serve.

## CONFERENCES

### CO-OPERATIVE MARKETING.

#### A CONFERENCE OF SELECT OFFICIALS AND NON-OFFICIALS.

A Conference of Select Deputy Registrars and a few non-officials interested in Co-operative Marketing was held in the Registrar's Office on 23rd March 1936, commencing at 9 A.M. The Conference sat the whole day with an interval of two hours for breakfast and broke up at 6 P. M.

The following were present :—

M.R.Ry. M. Giriappa, B.A., Joint Registrar, presiding.

#### *Deputy Registrars.*

M.R.Ry. K. Rangaswami Naidu Garu, B.A., Deputy Registrar, Vizagpatam.

„ K. Muthukrishna Naidu, B.A., B.L., Deputy Registrar, Bezwada.

Mr. G. C. Spitteler, Deputy Registrar, Madura.

M.R.Ry. A. D. Balasundara Mudaliar Avl., B.A., Deputy Registrar, Cuddalore.

„ J. C. Ryan Avl., M.A., Deputy Registrar, Salem.

„ K. Subrahmaniyam Naidu Garu, M.A., Deputy Registrar, Madras.

„ K. Sarvothama Rao Avl., M.A., Personal Assistant to the Registrar, Madras.

#### *Non-Official Gentlemen.*

M.R.Ry. V. Ramadas Pantulu Garu, President, Provincial Co-operative Bank, Madras.

„ Diwan Bahadur T. A. Ramalingam Chettiar Avl., B.A., B.L., President, Coimbatore District Urban Bank.

„ T. Adinarayana Chettiar Avl., Bar-at-law, President, Salem District Urban Bank.

„ K. C. Ramakrishnan Avl., Director, T. U. C. S.

„ Rai Bahadur V. Murugesu Mudaliar Avl., Secretary—North Arcot District Co-operative District Central Bank, Ltd., Vellore.

„ Rao Sahib K. M. Singaravelu Mudaliar, Avl., Director, North Arcot District Co-operative Central Bank, Ltd., Vellore.



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M.R.Ry. D. A. Narasimham Pantulu Garu, Secretary, Co-operative Central Bank, Ltd., Vizianagaram.

„ O. A. Narayanaswami Iyer Avl., B.A., B.L., Director, Tanjore Co-operative Central Bank.

### *Representatives of Sale Societies.*

M.R.Ry. R. Satyanarayana, Chodavaram (Vizagpatam.)

„ P. Satyanarayana Garu, Sri Rama Co-operative Loan and Sale Society, Vizagpatam.

„ B. Ahaiya Naidu Garu, Loan and Sale Society, Anakapalli.

„ R. A. Sivananda Mudaliar Avl., South Arcot Co-operative Central Loan and Sale Society, Cuddalore.

„ V. Srinivasa Rao Avl., Secretary, the T. U. C. S., Madras.

„ N. Satyanarayana Garu, Co-operative Loan and Sale Society, Alamuru.

„ T. R. Srinivasa Ayyangar Avl., Secretary, Co-operative Loan and Sale Society, Ltd., Tanjore.

„ B. Veniatarialu Garu, (Illegible) President, Loan and Sale Society. Ramachandrapuram, (East Godavari Dt.)

„ S. S. Rajan Avl., Paddy Loan and Sale Society Ltd. Madura.

„ L. N. Paramasivam Pillai Avl., Sivagnanam Agricultural Society, Lalgudy, (Trichy Dt.)

„ K. A. Nachiappa Gounder Avl., M.L.C., President, Tiruchengode Sale Society, Tiruchengode (Salem Dt.)

„ Y. Narayana Rao Garu, Secretary, Local Co-operative Union, Yallamanchili.

The following resolutions were recorded :—

### *Godowns.*

I. (1) The want of proper godown facilities at suitable centres has been a great handicap to the ryot in marketing his produce and generally to the progress of the loan and sale societies;

(2) Government be therefore requested to construct godowns at their own cost at all suitable centres and charge rent for the godowns;

(3) Where there is sufficient demand and sufficient business a primary society or a loan and sale society or a Central Bank may also put up godowns and take Government loan at 3½ per cent on simple interest for the first five years and at equated payment for the next 25 years ;

(4) Where such loans are given, Government be requested to give free grant of sites where available for the construction of godowns.

## CONFERENCES

### *Direct lending to ryots.*

II. In general, it is neither safe nor desirable for loan and sale societies to lend direct to ryots for cultivation purposes. This should be left to rural credit societies. In special cases, however, where conditions permit, they may be permitted to lend with the previous sanction of the Registrar.

### *Paid Secretaries.*

III. (1) It is desirable that paid Secretaries are appointed to work loan and sale societies. For this purpose, Government be requested to give the necessary staff of Inspectors or Agricultural Demonstrators free for some years until the societies are in a position to pay for them and if necessary, augment this staff for the appointment of Managers and Warehouse Officers to carry on the additional work of these societies.

(2) It is necessary to have a staff of Inspectors and Agricultural Demonstrators trained in marketing.

### *Recruitment of Agricultural Graduates to the Co-operative Department.*

IV. (1) It is desirable to recruit into the Co-operative Department a definite number of trained Agricultural Graduates so as to be always available for work in loan and sale societies.

(2) In the meantime the Agricultural Department be requested to make the services of Agricultural Demonstrators freely available to the loan and sale societies.

### *Organisation at suitable centres.*

V. (1) Steps should be taken to resuscitate the large number of loan and sale societies in the Presidency now dormant. The Deputy Registrars be requested to inspect them and submit special reports so that action may be taken.

(2) It is desirable to organise Loan and Sale societies at suitable centres after taking into consideration the human material available, the local circumstances and also the question whether they will be able to pay their way in the long run.

### *Organisation of a Provincial Society.*

VI. It is highly desirable to organise immediately a Provincial Central Marketing Society at Madras to co-ordinate the activities not only of the various loan and sale societies but also of the Co-operative Stores by getting them into touch with the market places, the places of production and the prices prevailing. It is necessary that the provincial society should also undertake the sale of produce of societies and individuals who become members of the Provincial society. It shall start work with perishables to begin with and establish sales stope without

delay in the Madras City and other suitable places in the Presidency. Co-operative Inspectors to be appointed to look after the sales depots. Government grant may be asked for to meet the necessary initial expenditure and the Provincial Bank also may be asked to contribute towards the expenses. A committee of the following 3 gentlemen is appointed to see to the establishment of the Provincial Society at an early date.

1. M. R. Ry. V. Ramadas Pantulu Garu.
2. „ Dewan Bahadur T. A. Ramalingam Chettiar Avl.,
3. „ T. Adinarayana Chettiar Avl.,

#### *Loans.*

VII. (1) Central Banks be requested to lend to loan and sale societies at 1 per cent less than their usual lending rate to societies.

(2) Central Banks be requested to grant cash credits to loan and sale societies to be operated upon through such Urban Banks as are recognised by them to be their transmitting agencies so as to enable them to draw the amounts required without delay by the presentation of demand drafts on them.

(3) The system of granting loans to members of primary societies on condition that members should market the produce through the loan and sale societies at least to the extent covered by the loan should be made compulsory. This should be made applicable to both commercial and food crops.

#### *Limit of Loans.*

VIII. (1) It is resolved that the present limit of advance by loan and sale societies of 60 per cent for commercial crops and 75 per cent on food crops is reasonable and may stand for the present.

(2) The borrowing power of the loan and sale societies need have no reference to their paid up share capital in so far as the loans on the pledge of produce are concerned.

#### *Co-ordination of Stores.*

IX. The co-ordination of the activities of the Co-operative stores in the Presidency in the matter of dissemination of commercial intelligence should be undertaken without delay by the Provincial Marketing Society.

X. This conference records with thanks the resolution of the Provincial Bank to place liberal subsidies at the disposal of Central Banks to meet the initial establishment charges of the loan and sale societies.

## Co-operation in Legislative Council.

3-2-1936.

*Debit to the District Bank of the cost of notifications regarding the liquidation of rural societies.*

\* 705Q.—Mr. G. Rameswara Rao: Will the Hon. the Minister for Public Works be pleased to state—

(a) whether the District Bank is called upon to pay the cost of notifications in case of liquidation of any rural society within its area;

(b) whether the Government give any advance to cover such incidental expenses and recover it out of the realizations;

(c) the average period for which liquidation proceedings have continued in general and such period in the Anantapur district in particular; and

(d) whether the cost of the notifications regarding liquidation is entirely borne by the Government or whether it is recoverable with or without any interest?

A.—(a), (b) & (d). Clause (a) of rule XVII of the Rules under the Madras Co-operative Societies Act, VI of 1932, provides that the appointment of the liquidator of a co-operative society shall be notified by the Registrar in the *Fort St. George Gazette*. Accordingly, notifications regarding the cancellation of the registration and the appointment of liquidators of rural societies are sent to the Superintendent, Government Press, for publication in the *Fort St. George Gazette*. The costs are entirely borne by Government as the issue of a notification is a statutory duty imposed on the Registrar.

(c) The periods for which liquidation proceedings continue depend upon several factors and mainly upon the amount of assets to be recovered and the nature of the persons from whom the assets have to be recovered—their solvency, their tendency to litigation, etc. Generally, it takes about two to four years to complete the liquidation proceedings in societies and, in a large number of cases, it takes about three years. In the Anantapur district, liquidation proceedings are closed in about two years on the average.

Mr. G. Rameswara Rao:—“The answer says: ‘The costs are entirely borne by Government as the issue of a notification is a statutory duty imposed on the Registrar.’ May I request the Hon. Minister to order the refund of such costs collected from parties?”

The Hon. Mr. P. T. Rajan:—"If any amounts have been paid, I shall ask the Registrar to consider the question of returning them."

## 5-2-1936.

### *Procedure regarding the preparation of property statements of rural co-operative societies.*

\*729Q.—Mr. G. Rameswara Rao: Will the Hon. the Minister for Public Works be pleased to state—

(a) who the officer or authority required to prepare property statements of rural co-operative societies is ;

(b) whether there is any higher authority that checks them or scrutinizes them at any time ;

(c) whether the Registrar (or his subordinates) takes these statements as a basis for fixing the maximum borrowing power of the societies concerned ;

(d) who the authority is who fixes the maximum borrowing power of a society and whether the property statement of the members of the society is a factor in fixing the maximum borrowing power of the society ;

(e) whether the said statements include the total of debts including interest up to date of the members of the said societies ;

(f) whether only the principal of the debts due—either to the society or the other creditors—is shown in the said statements and all the interest is omitted ; and

(g) if the answer to clause (f) is in the affirmative, whether there are any steps contemplated to change that practice, so that a correct estimate of the net assets of the members may be available, before the loan applications of such societies are dealt with by the financing banks ?

A.—(a) & (b) Under rule V of the rules issued under the Madras Co-operative Societies Act, 1932, rural co-operative societies with unlimited liability are required to maintain a property statement of their members. The officers of the society prepare it and it is passed at a meeting of the general body. The union supervisor usually helps in the preparation and the revision of these statements every year. The departmental auditor test-checks the property statement at the time of the final audit of the society.

(c) & (d) Yes. The Registrar (the Deputy Registrar).

(e) & (f) The debts due by the members to the society and other creditors *exclusive of interest dues* are shown in the statement.

(g) No. The maximum borrowing power of a society is fixed at a figure not exceeding one-eighth of the net assets as exhibited in the property statement. No change in this practice is

contemplated. The property statement of the society is not the only factor taken into consideration before the financing bank grants a loan to a society. The general working of the society, its management, its past history and the repaying capacity of borrowers are all taken into consideration before loans are granted.

Mr. G. Rameswara Rao:—"May I remind the Hon. Minister that what was in my mind when I put the question was that a circular was issued by the Registrar in 1928 or so that all debts inclusive of interest due up to date must be shown? May I ask whether it is ignored in actual practice or whether any steps are taken to enforce that circular?"

The Hon. Mr. P. T. Rajan:—"I am not aware of it; as my Hon. Friend has now brought it to my notice, I am prepared to look into the matter."

Mr. C. R. Parthasarathi Ayyangar:—"May I know whether any steps are taken every year to check the solvency of persons, with reference to the statement furnished?"

The Hon. Mr. P. T. Rajan:—"Every year the statement is revised."

Mr. C. R. Parthasarathi Ayyangar:—"May I ask whether it is carried out in practice or whether it merely exists on paper?"

The Hon. Mr. P. T. Rajan:—"I do not think it is not done in the proper way. Every year the officer concerned revises the statement."

## 28-2-1936.

### *Operations of the Land Mortgage Banks in relieving agricultural indebtedness.*

\* 842Q.—Mr. M. A. Manikkavelu Nayakar: Will the Hon. the Minister for Public Works be pleased to say—

(a) how many Land Mortgage Banks, districtwar, have so far been started;

(b) what the total amount is of rural debts that the Land Mortgage Banks have cleared off;

(c) what the percentage of clearance of agricultural debts is to the total amount of agricultural debts; and

(d) whether it is contemplated to launch a vigorous campaign for starting more Land Mortgage Banks?

A.—(a) There are at present 79 Land Mortgage Banks in the following districts:—

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Bellary, Kurnool, Ganjam, Anantapur and Cuddapah.	1 in each	5
Ramnad and Tinnevely	2	4
Salem, Guntur, Nellore, Madura and Trichinopoly.	3	15
South Arcot, Vizagapatam and Chingleput.	4	12
North Arcot	...	5
Kistna and West Godavari	6	12
East Godavari and Tanjore	8	16
Coimbatore	...	10
Total	...	79

- (b) Land Mortgage Banks have issued loans amounting to Rs. 71,63,088 up to 30th June 1935 for redemption of mortgages, discharge of other prior debts, improvements of lands and of methods of cultivation and purchase of lands in special cases on condition that such purchase will enable the ryot to round off his holding and work it more economically. No separate figures are available of the total amount of loan granted for the redemption of mortgages and discharge of other prior debts.
- (c) The Provincial Banking Enquiry Committee estimated the total debt in the province at Rs. 150 crores. This is admittedly a rough estimate. In his report on Agricultural indebtedness, Mr. Satyanathan estimates the total agricultural indebtedness at about Rs. 200 crores. It is evident that this estimate also rests on a great many assumptions and deductions. On the basis of these estimates, the total amount of loans granted by Land Mortgage Banks works out to less than  $\frac{1}{2}$  per cent of the total amount of agricultural debts.
- (d) No. The effect of the recent amendment to the agriculturists' Loans Act on the working of Land Mortgage Banks will have to be watched before further expansion can be undertaken. As there is a heavy demand for special staff in connexion with the grant of loans under the amended Agriculturists' Loans Act and as the funds available are limited, the Government have considered that no new banks should be started during 1936-37.

Mr. P. Peddi Raju :—" May I know, Sir, in view of the fact that the loans under the Agriculturists' Loans Act are intended to cover only small amounts of money, whether the starting of new land mortgage banks which can give larger loans will not help the ryots in 1936-37?"

CO-OPERATION IN LEGISLATIVE COUNCIL

The Hon. Mr. P. T. Rajan :—“ The reasons are given in answer to clause (d).”

Mr. P. Peddi Raju :—“ I am only referring to clause (d). It is said that the matter is under consideration and that they are watching the effect of the recent amendment, and the Government itself want to lighten the agricultural indebtedness and have decided upon that policy. Therefore, is it not possible to have more Land Mortgage Banks in pursuance of that policy?”

The Hon. Mr. P. T. Rajan :—“ Funds are limited and are not enough both for the Land Mortgage Banks and the other items.”

Diwan Bahadur T. A. Ramalingam Chettiyar :—“ Does it not mean that persons who want loans will be denied relief and that they will not get, as much as necessary under the Agriculturists' Loans Act?”

The Hon. Mr. P. T. Rajan :—“ They will have to be content with what they get for the time being.”

Diwan Bahadur T. A. Ramalingam Chettiyar :—“ Under the rules framed under the Act, the maximum loan that could be given is only Rs. 2,000. So all benefit will be denied to people who want sums more than Rs. 2,000?”

The Hon. Mr. P. T. Rajan :—“ Quite so.”

Diwan Bahadur T. A. Ramalingam Chettiyar :—“ So, is it not the duty of the Government to find funds, especially when they have launched on a policy of dealing with agricultural indebtedness for starting more Land Mortgage Banks?”

The Hon. Mr. P. T. Rajan :—“ All depends upon the amount of funds available.”

Diwan Bahadur M. Gopalaswami Mudaliyar :—“ How long will it take for Government to start more banks?”

The Hon. Mr. P. T. Rajan :—“ About a year or so.”

Diwan Bahadur T. A. Ramalingam Chettiyar :—“ Does the Government realise that there are few Land Mortgage Banks in the Ceded districts and other dry areas and that people in need will suffer more and more?”

The Hon. Mr. P. T. Rajan :—“ Yes, Government are aware of it.”



## Extracts.

(Extracted from 'Madras Administration Report' for 1934-35.)

### CO-OPERATIVE SOCIETIES.

(1st July 1934 to 30th June 1935).

(Report on the working of the Madras Co-operative Societies Act, 1932 for the year 1934-35; Statistical Abstract for British India—Co-operative Societies.)

#### *General.*

103. Though the seasonal conditions were not on the whole good and the economic depression continued, the slight rise in the prices of paddy and other commodities together with the reduction of rates of interest charged on loans to members and the complete waiver of penal interest, resulted in greater relief to the borrower than in the previous year. Although the agricultural credit movement has not shown much progress during the last few years, at least further deterioration has been arrested. Unfortunately, the tendency on the part of members to introduce politics into the movement continued to persist. The number of Deputy Registrars continued to be 22 and at the end of the year there were 47 posts of Sub-Deputy Registrars.

#### *Expenditure.*

The total expenditure incurred on the working of the department, amounted to Rs. 11.17 lakhs as against Rs. 10.85 lakhs in the previous year. The net expenditure represented 0.52 per cent of the total working capital of all societies as compared with 0.66 per cent in the preceding year.

#### *Societies.*

104. There were at the end of the year 13,453 societies of all classes as against 13,634 in 1933-34.

#### *Rectification and Consolidation.*

The policy of reforming and consolidating existing societies in preference to expansion was continued and only 100 societies were newly registered, compared with 140 last year. In pursuance of the policy of weeding out bad societies, the registration of 281 societies was cancelled during the year and 1,367 societies were under liquidation at the end of the year. As many as 444 societies were brought under the operation of by-law 62, which provides for the appointment of either members or non-members as agents of societies. It was noticed that societies which were kept under persons other than members were making steady progress as a result of strong action taken against defaulters.

## EXTRACTS

### *Working Capital.*

The following table shows the resources of the various classes of societies on the 30th June 1935 :—

Types of Societies.	Total working capital.	Percentage of total working capital derived from					
		Share Capital.	Deposits.	Loans from other Societies.	Government.	Reserve Fund.	Other Funds.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rs. (in lakhs)						
1 Madras Provincial Co-operative Bank ...	186.78	3.53	48.40	37.61	...	7.76	2.70
2 District Central Banks ...	511.13	10.67	53.55	25.12	...	5.92	4.74
3 Central Land Mortgage Bank ...	55.76	4.28	91.34	3.35	...	0.79	0.24
4 Agricultural Societies ...	547.01	12.39	7.91	62.69	1.33	13.09	2.59
5 Non Agricultural Societies ...	371.16	25.85	50.88	6.68	4.05	9.52	3.02

The working capital of all societies increased from Rs. 1,632.05 lakhs to Rs. 1,671.84 lakhs. The total working capital employed in the movement exclusive of the investments of one society in another amounted to Rs. 1,048.19 lakhs.

### *Repayments.*

Though the percentage of balance to demand was high, the repayment by societies to Central Banks worked out to 36.24 per cent of the loans outstanding at the end of the year. Viewed from this standpoint the collections cannot be considered unsatisfactory. There was some definite improvement in the collection of current interest due by societies to Central Banks and by members to agricultural societies the percentage of balance to demand at the end of the year being 11.16 and 58.69 as against 12.69 and 63.81 at the end of the previous year.

### *Banks.*

105. *Madras Provincial Co-operative Bank.* The Madras Provincial Co-operative Bank continued to make steady progress. The deposits of individuals fell from Rs. 53.27 lakhs to Rs. 52.87 lakhs and those from local boards and municipal and jail contractors also fell from Rs. 15.83 lakhs to Rs. 15.73 lakhs, but there was an increase in the

deposits made by Joint Stock Banks and other institutions from Rs. 9.33 lakhs to Rs. 10.63 lakhs. The financial position of the bank was sound. The bank earned a net divisible profit of Rs. 2.04 lakhs as against Rs. 2.31 lakhs in the previous year. The fall in the net profit was due to the reduction in the margin of profits made by the sale and conversion of Government securities. At the close of the year, a sum of Rs. 8.74 lakhs was outstanding against Central Banks and a sum of Rs. 10.63 lakhs against individuals. There was a greater demand for loans from the Central Banks than in the previous two years.

*Central Banks.* The number of Central Banks remained unaltered at 32. The number of individual members rose from 4,106 to 4,243; the number of society members, however, fell from 11,978 to 11,889, as a result of the cancellation of registration of some societies. The paid-up share capital of these banks fell from Rs. 55.05 lakhs to Rs. 54.53 lakhs chiefly on account of the liquidation of societies. There was an appreciable fall in deposits and other borrowings by about Rs. 49 lakhs, the main reason being the non-acceptance of fresh deposits from local bodies. All the Central Banks except the Madras Christian Central Bank worked at a profit but the total net profits of the banks fell from Rs. 4.43 lakhs to Rs. 4.21 lakhs. The fall was partly due to the continuance of the policy of making adequate provision for the bad and doubtful debts. The banks were advised to declare a dividend not exceeding 5 per cent, in view of the low money-rates prevailing in the market, and to carry whatever remained to the Reserve Fund or the Bad Debt Reserve. The Central Banks borrowed Rs. 7.52 lakhs as against Rs. 15.414 in the previous year and the amount outstanding at the end of the year was Rs. 8.74 lakhs as against Rs. 6.93 lakhs at the end of the previous year. A sum of Rs. 7.48 lakhs was outstanding against individuals at the end of the year and an amount of Rs. 302.92 lakhs against societies. During the year Rs. 14.97 lakhs were advanced to individuals and Rs. 87.10 lakhs to societies. Nineteen Central Banks failed to maintain the required standard of fluid resources on certain days in the year. As a result of the steps taken, the surpluses in Central Banks showed a further reduction from Rs. 54 lakhs to Rs. 26.36 lakhs.

*Central Land Mortgage Bank.* The Central Land Mortgage Bank had another successful year. Owing to the easy condition of the money market and to the growing popularity of its debentures, the bank secured all the funds it required at cheap rates of interest. Apart from the issue of new debentures, the bank continued the systematic conversion of high interest-bearing debentures. The benefit of the reduction of interest on the debentures was passed on to the ultimate borrowers in primary banks. The bank had 261 members including 71 primary banks and had a share capital of Rs. 2,38,400 as against Rs. 1,94,300 in the previous

year. A gratifying feature of the year was the absence of any overdues. The net profits amounted to Rs. 69,327 as against Rs. 41,111 in the previous year.

*Primary Land Mortgage Banks.* There were 76 Primary Land Mortgage Banks on the 30th June 1935 with a membership of 16,086. Thirty-eight banks made a profit of Rs. 32,942 and 34 incurred a loss of Rs. 17,067. Four banks did not start work during the year. Debentures of the value of Rs. 65,800 under "A" series and Rs. 27,350 under "B" series were redeemed by the primary banks during the year. Out of Rs. 4.28 lakhs under principal and Rs. 3.84 lakhs under interest, the banks collected Rs. 2.70 lakhs under principal and Rs. 3.59 lakhs under interest.

#### *Agricultural Societies.*

106. At the end of the year there were 11,647 agricultural societies with a membership of 584,201. Of the societies in existence, 11,143 were ordinary credit societies, 79 purchase, purchase and sale societies and 349 other types of societies. These societies disbursed Rs. 124.73 lakhs as loans to their members as against Rs. 92.16 lakhs in the previous year, 58.32 per cent of the loans being intended for productive purposes. The amount of loans due by agricultural societies to Central Banks was Rs. 343.48 lakhs.

*Credit Societies.* The number of agricultural credit societies fell from 11,284 to 11,143 and the total membership from 5,51,236 to 5,32,346. The paid-up share capital also fell to Rs. 58.33 lakhs and the working capital to Rs. 457.67 lakhs. The total divisible profits earned by some societies rose from Rs. 8.70 lakhs to 9.30 lakhs while the total loss not yet recouped by the remaining societies was Rs. 23.48 lakhs at the end of the year. While the percentage of overdues to demand under principal and under interest fell to 69.65 and 63.65 the percentage under arrear interest rose to 72.50.

*Societies for purchase, purchase and sale.* The number of societies for purchase, purchase and sale, rose from 75 to 79. The purchases made by these societies amounted to Rs. 3,69,444 and the sales to Rs. 17,03,884. The profits of some of these societies were Rs. 19,530 and the losses of others amounted to Rs. 6,892.

*Societies for Production and Sale.* Of the 13 societies for production and sale at the end of the year, 10 were milk-supply societies and 2 were agricultural and industrial societies. The Madras Milk-Supply Union to which the 10 milk-supply societies supplied milk, realized Rs. 1,35,664 by the sale of milk and milk products and earned a net profit of Rs. 4,667. One of the agricultural and industrial societies transacted no business during the year, but the other crushed sugarcane to the value of Rs. 12,160 and produced 6,079 maunds of jaggery.

*Societies for joint cultivation of land.* The total number of societies for joint cultivation by members and for purchase of house-sites was 772 (788 last year) with a membership of 32,523. There were 35,109 acres of land, 12,020 house-sites and 10,303 houses in the enjoyment of the members at the end of the year. These societies advanced loans to the members to the extent of Rs. 1.50 lakhs and recovered an amount of Rs. 1.54 lakhs.

*Other forms of Societies.* Out of the 336 societies of other kinds, 12 were kudimaramat and irrigation societies, 8 agricultural demonstration societies and 11 land reclamation societies. Two thousand six hundred and three acres of land were irrigated with the water supplied by the irrigation societies, the number of members benefited being 349. The only agricultural demonstration society that did some useful work cultivated 17 acres of land and made a profit of Rs. 127. No land was reclaimed by the land reclamation societies during the year.

#### *Non-agricultural Societies.*

107. At the end of the year, there were 1,446 societies in this class with a membership of 291,700 as against 1,438 societies with a membership of 281,472 at the end of the previous year. The paid-up share capital and working capital of these societies amounted to Rs. 95.93 lakhs and Rs. 371.16 lakhs respectively. They issued loans to the extent of Rs. 240.59 lakhs. The societies were in arrears to the extent of Rs. 7.95 lakhs to their creditors against a demand of Rs. 277.41 lakhs under principal; the percentage of overdue interest was 3.82. The net divisible profit earned by some of these societies was Rs. 11.76 lakhs and the loss sustained by the others amounted to Rs. 2.97 lakhs.

*Credit societies.* The number of credit societies fell by 2 to 1,067, but the number of members increased from 248,750 to 257,428. Three hundred and forty societies were for Government servants and municipal, local board and railway employees. The working capital of these societies rose to Rs. 327.55 lakhs. They disbursed loans amounting to Rs. 235.32 lakhs. Most of the societies kept up their obligations to the depositors and the financing banks.

*Stores societies.* There were 65 stores societies with a working capital of Rs. 7.95 lakhs. Goods worth 19,83,615 were sold during the year. The profits earned by some of the societies amounted to Rs. 48,433 while the loss sustained by the rest was Rs. 29,945. The Triplicane Urban Co-operative Society with its 25 branches and 5,600 members continued to lead and accounted for nearly half the sales.

*Students' societies.* The number of students' stores fell to 81 during the year, with 3,667 members and 9,996 associate members. Savings on account of purchase and sale of books and stationery amounted to Rs. 7,293 as against Rs. 6,723 in the previous year.

## EXTRACTS

*Weavers' societies.* Of the 29 societies for weavers, 15 remained dormant. The others purchased materials to the value of Rs. 18,537 and finished products from members worth Rs. 44,807. The value of finished products sold to the public amounted to Rs. 49,340. Generally speaking, these societies did not make appreciable progress as they found it too difficult to compete with mill products.

*Co-operative Life Insurance societies.* The South India Co-operative Insurance Society, Madras, had a membership of 2,226 and a paid-up share capital of Rs. 44,664. The total life business at the end of the year amounted to Rs. 21,62,700 in respect of 2,520 policies as against 1,453 policies for an assured sum of Rs. 13,00,350 at the close of the previous year. Premia of Rs. 83,947 were collected in the year as against Rs. 47,119 in the previous year. The Postal and R. M. S. Co-operative Benefit Fund, Madras, had 3,100 members on its rolls with a paid-up share capital of Rs. 39,158 at the end of the year. The society collected Rs. 1.59 lakhs by way of premia as against Rs. 1.48 lakhs in the preceding year. The total life assurance fund at the close of the year was Rs. 4.52 lakhs as against Rs. 3.31 lakhs in the previous year.

*Other non-agricultural societies.* There were 177 other non-agricultural societies, of which 120 were building societies. The building societies had 3,998 members and a paid-up share capital of Rs. 7.79 lakhs. One thousand four hundred and forty-nine houses to the value of Rs. 43.31 lakhs were completed up to the end of the year. Of the remaining societies nineteen were labour contract societies.

### *Societies for the depressed and backward classes, fishermen and hill-tribes.*

108. The number of societies formed specially for the Adi-Dravidas, Adi-Andhras, Fishermen, Kallars and other backward classes rose by 1 to 2,777. The supervision of these societies was taken over by the Department from 1st October 1934. The societies continued to be financed chiefly by the Madras Christian Central Bank. The overdues to the bank on the last day of the year amounted to Rs. 3,11,292 under principal and Rs. 26,189 under interest. During the year, 2,479 of these societies were maintained by the Co-operative Department, 249 were under Kallar Special Officers and 49 were under the Fisheries Department. There were 114 societies for hill-tribes, of which 71 were in the Nilgiris and 32 in the Agency tracts of Ganjam, Vizagapatam and East Godavari. The Nilgiris societies had a membership of 3,228 with a paid-up share capital of Rs. 17,994. The Agency societies had 8,020 members on their rolls with a paid-up share capital of Rs. 54,973. There were 29 Fishermen societies at the end of the year.

*Supervision and training.*

109. The majority of the primary societies were under the supervision of local Co-operative Unions of which there were 301 with 593 supervisors at the end of the year. The expenditure incurred by the unions was Rs. 4. 80 lakhs while their income from the supervision fund, grants from Central Banks and District Federations amounted to Rs. 4 lakhs.

*Federations.*

110. The registration of 6 out of the 8 Federations was cancelled and at the end of the year there were only 2 Federations. These Federations have proved unnecessary.

*Co-operative Education.*

111. The Central Co-operative Institute at Madras ordered to be started for the training of candidates for departmental requirements began its first session in October 1934. Fifty-nine candidates were admitted but only 43 attended the complete course. Out of the two mofussil peripatetic classes ordered to be started for imparting instruction to men intended for employment in non-official co-operative institutions, the first peripatetic class for the Tamil districts was held at Vellore from 20th November 1934. Forty-four students sat for the examination held by the Madras Provincial Co-operative Union out of 46 students trained. Classes for training the panchayatdars of village societies and supervisors in the principles and practice of co operation were held in 55 centres and 228 members of 49 societies attended them.

*The Provincial Co-operative Union.*

112. The Provincial Co-operative Union continued to do useful work. On the 30th June 1935, it had 417 members on its rolls and 20 honorary individual members. The Union continued the publication of the "Madras Journal of Co-operation" in English but it discontinued the publication of the Telugu journal "Andhra Sahakara Patrika" from January 1935. A number of books were added to the library, and the reading room run by the Union continued to be popular. Rural reconstruction work was continued in six centres. The President and some members of the executive committee carried on general propaganda on non-credit work, co-operative insurance and rural reconstruction.

*Litigation.*

113. During the year 27,418 arbitration references were filed in agricultural and non-agricultural societies. One thousand one hundred and ninety-one civil suits were filed and 675 were pending disposal at the end of the year, the amount involved being Rs. 82,062. A sum of Rs. 10,64,854 was realized by the department by the execution of decrees. Thirty criminal prosecutions were launched at the instance of the department.

*Audit.*

114. The audit of all societies except one was completed before the end of the year and audit certificates issued before the close of the year.

## Amendments to the Rules under the Madras Co-operative Societies Act, 1932.

In exercise of the powers conferred by sub-sections (1) and (2) of section 65 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), the Governor acting with Ministers is hereby pleased to make the following amendments to the rules published with Development Department Notification No. 264, dated the 1st August 1933, at pages 1178-1185 of Part I of the *Fort St. George Gazette*, dated the 1st August 1933, as subsequently amended, the same having been previously published as required by sub-section (3) of the said section :—

### AMENDMENTS.

1. In the definitions at the commencement of the said rules, for clauses (d) and (e) defining respectively the expressions 'decree-holder' and 'defaulter,' the following clauses shall be substituted, namely :—

“(d) 'decree' means any decree, order, decision or award referred to in section 57-A of the Act ;

(dd) 'decree-holder' means any society or any person (including the Government) holding a decree as defined in clause (d) ;

(e) 'defaulter' means any society against which or any person against whom, a decree as defined in clause (d) has been obtained ;”

2. In the said definitions, in clause (g) defining the expression 'Registrar of the district,' for the word and figures 'section 28,' the word, figures and letter 'section 57-A' shall be substituted.

### *Annual publication of a list of members.*

3. After sub-rule (5) of rule VII of the said rules, the following sub-rule shall be added, namely :—

“(6) Every society with limited liability shall prepare a list of its members as on the last day of each co-operative year, and furnish a copy of the same to the Registrar within one month from the close of such year or within such further time as the Registrar may, by general or special order, allow. The list shall also be kept open at the office of the society, during office hours, for inspection by any member of the society.”

### *Restriction on readmission of expelled member.*

4. After rule XVIII of the said rules, the following rule shall be inserted, namely :—

“XVIII-A. No member of a society who has been expelled under the provisions of its by-laws shall be eligible for readmission as a member



of that society or for admission as a member of any other society, for a period of two years from the date of such expulsion.

Provided that the Registrar may, in special circumstances, sanction the readmission or admission within the said period of any such member, as a member of the same society or of any other society, as the case may be."

5. In sub-rule (1) of rule XXII of the said rules, for the word and figures 'section 28' the word, figures and letter 'section 57-A' shall be substituted.

6. After sub-rule (5) of the said rule XXII, the following sub-rule shall be inserted, namely:—

*Attachment of share or interest in movables.*

"(5-A) (i) Where the property to be attached consists of the share or interest of the defaulter in movable property belonging to him and another as co-owners, the attachment shall be made by a notice to the defaulter, prohibiting him from transferring the share or interest or charging it in any way.

*Attachment of negotiable instruments.*

(ii) Where the property to be attached is a negotiable instrument not deposited in a court, nor in the custody of a public officer, the attachment shall be made by actual seizure and the instrument shall be brought to the office of the Registrar of the district ordering the attachment and be held subject to his further orders.

*Attachment of property in custody of Court or Public Officer.*

(iii) Where the property to be attached is in the custody of any court or public officer, the attachment shall be made by a notice to such court or officer, requesting that such property and any interest or dividend becoming payable thereon may be held subject to the further orders of the Registrar of the district issuing the notice.

Provided that, where such property is in the custody of a court or Registrar of another district, any question of title or priority arising between the decree-holder and any other person, not being the defaulter, claiming to be interested in such property by virtue of any assignment, attachment or otherwise, shall be determined by such court or Registrar.

*Explanation.*—In this sub-rule, 'public officer' includes a liquidator appointed under section 47 of the Act."

7. Sub-rule (6) of the said rule XXII shall be renumbered as sub-rule (6-A) and the following shall be inserted as sub-rule (6), namely:—

*Attachment of decree.*

“(6) (i) Where the property to be attached is a decree either for the payment of money or for sale in enforcement of a mortgage or charge, the attachment shall be made—

(a) if the decree sought to be attached was passed by a Registrar or by any person to whom a dispute was transferred by a Registrar under section 51 of the Act or by an arbitrator or arbitrators within the local limits of the jurisdiction of a Registrar, then by the order of the Registrar concerned;

(b) if the decree sought to be attached was passed by a court and has not been sent for execution to any other court, then by the issue to such court of a notice by the Registrar concerned, requesting such court to stay the execution of its decree unless and until—

(A) the Registrar aforesaid cancels the notice, or

(B) the holder of the decree sought to be executed, or the judgment-debtor, applies to the court receiving such notice to execute its own decree; and

(c) if the decree sought to be attached is pending execution in a court which did not pass the same, then by the Registrar of the district seeking to attach such decree in execution, sending the notice referred to in sub-clause (b) to such court, whereupon the provisions of that sub-clause shall apply in the same manner as if such court had passed the decree and the said notice had been sent to it in pursuance of the said sub-clause.

(ii) Where a Registrar makes an order under sub-clause (a) of clause (i) or when a court receives an application under sub-head (B) of sub-clause (b) of the said clause, such Registrar or court shall, on the application of the decree-holder who has attached the decree or his defaulter, proceed to execute the attached decree and apply the net proceeds in satisfaction of the decree sought to be executed.

(iii) The holder of a decree sought to be executed by the attachment of another decree of the nature specified in clause (i) shall be deemed to be the representative of the holder of the attached decree and to be entitled to execute such attached decree in any manner lawful for the holder thereof.

(iv) Where the property to be attached in the execution of a decree is a decree other than a decree of the nature referred to in clause (i), the attachment shall be made by the issue of a notice by the Registrar of the district to the holder of such decree, prohibiting him from transferring or changing the same in any way; and where such decree has been passed

by any court or by a different Register or by a person to whom a dispute was transferred under section 51 of the Act by a different Registrar or by an arbitrator or arbitrators in another district, also by sending to such court or to the Registrar of the district concerned, as the case may be, a notice to abstain from executing the decree sought to be attached until such notice is cancelled by the Registrar who sent the notice.

(v) The holder of a decree attached under this sub-rule shall give the court or the Registrar of the district executing the decree, such information and aid as may reasonably be required.

(vi) On the application of the holder of a decree sought to be executed by the attachment of another decree, the Registrar of the district making an order of attachment under this sub-rule shall give notice of such order to the judgment-debtor bound by the decree attached; and no payment or adjustment of the attached decree made by the judgment-debtor in contravention of such order after receipt of notice thereof, either through the said Registrar or otherwise, shall be recognized so long as the attachment remains in force."

*Private alienation of property after attachment to be void.*

8. After sub-rule (13) of the said rule XXII, the following sub-rule shall be inserted, namely:—

"(13-A) Where an attachment has been made under these rules, any private transfer or delivery of the property attached or of any interest therein and any payment to the defaulter of any debt, dividend or other moneys contrary to such attachment, shall be void as against all claims enforceable under the attachment.

*Explanation.*—For the purposes of this sub-rule, claims enforceable under an attachment include claims for the rateable distribution of assets under sub-rule (20)."

*Determination of attachment.*

9. In the said rule XXII, the following shall be added as sub-rules (19) and (20), namely:—

"(19) Where any property has been attached in execution of a decree, but by reason of the decree-holder's default, the Registrar of the district is unable to proceed further with the application for execution, he shall either dismiss the application or for any sufficient reason adjourn the proceedings to a future date. Upon the dismissal of such application, the attachment shall cease.

*Attachment in execution of decrees of several courts and rateable distribution of assets.*

(20) (a) Where the sale officer attaches or has attached under these rules, any property, not in the custody of any court, which is already

## AMENDMENTS TO THE RULES UNDER THE MADRAS C. S. ACT, 1932

under attachment made in execution of a decree of any court, such court shall receive and realize such property and shall determine claims thereto and any objections to the attachment thereof :

Provided that where the property is under attachment in the execution of decrees of more courts than one, the court which shall receive or realize such property and shall determine any claim thereto and any objection to the attachment thereof shall be the court of the highest grade, or where there is no difference in grade between such courts, the court under whose decree the property was first attached.

(b) Where assets are held by the sale officer and before the receipt of such assets, demand notices in pursuance of applications for execution of decrees against the same defaulter have been received from more than one decree-holder and the decree-holders have not obtained satisfaction, the assets, after deducting the costs of realization, shall be rateably distributed by the sale officer among all such decree-holders in the manner provided in section 73 of the Code of Civil Procedure, 1908."

### *Attachment before judgment.*

10. After the said rule XXII, the following rules shall be added, namely :—

#### *Mode of making attachments.*

"XXIII. (1) Attachment of property under section 50 or sub-section (4) of section 51 of the Act shall be made in the manner provided in rule XXII.

#### *Investigation of claim to property attached before judgment.*

(2) Where a claim is preferred to property attached under sub-rule (1), such claim shall be investigated in the manner and by the authority specified in rule XXII.

#### *Removal of attachment when security furnished or suit dismissed.*

(3) Where a direction is made for the attachment of any property under sub-rule (1), the Registrar of the district shall order the attachment to be withdrawn—

(a) when the party concerned furnishes the security required together with security for the costs of the attachment ; or

(b) when the liquidator determines under clause (b) of sub-section (3) of section 47 of the Act that no contribution is payable by the party concerned ; or

(c) when the Registrar passes an order under sub-section (1) of section 49 of the Act that the party concerned need not repay or restore any money or property or contribute any sum to the assets of the society by way of compensation ; or

- (d) when the dispute referred to in sub-section (1) of section 51 of the Act has been decided against the party at whose instance the attachment was made.

*Attachment before judgment not to affect rights of strangers or bar decree-holder from applying for sale.*

(4) Attachment made under sub-rule (1) shall not affect the rights existing prior to the attachment, of persons not parties to the proceedings in connexion with which the attachment was made, nor bar any person holding a decree against the person whose property is attached from applying for the sale of the property under attachment in execution of such decree.

*Re-attachment not necessary if property is under attachment before judgment.*

(5) Where property is under attachment by virtue of the provisions of this rule and a decree is subsequently passed against the person whose property is attached, it shall not be necessary upon an application for execution of such decree to apply for re-attachment of the property.

*Procedure regarding amendment of bye-laws.*

XXIV. The following procedure shall be adopted in regard to amendments to the bye-laws of a society :—

(i) Every amendment shall be made only by a resolution passed by a majority of the members present at a meeting of the general body of the members of the society.

(ii) No such resolution shall be valid unless notice of the amendment proposed has been given in accordance with the bye-laws.

(iii) Every application made to the Registrar for the registration of an amendment shall be signed by the Secretary and two members of the Committee, and shall contain the following particulars, namely :—

(a) The date of the general body meeting at which the amendment was made ;

(b) the number of days' notice given to convene the general body meeting ;

(c) the total number of members of the society on the date of such meeting ;

(d) the number of members who formed the quorum for such meeting ;

(e) the number of members present at such meeting ; and

(f) the number of members who voted for the amendment.

*Co-operative Conferences and contributions to expenses thereof  
by societies.*

XXV. No society shall contribute any money towards the expenses of any co-operative conference, unless such conference is held under the auspices of a society which is authorized by its by-laws to undertake the holding of such conferences. The society holding the conference shall keep separate accounts of the income and expenditure of such conference and such accounts shall be subject to audit by the Registrar or by some person authorized by him under section 37 of the Act.

*Constitution and strength of committee of Financing Bank.*

XXVI. (1) The proportion of individual members to society members on the committee of a financing bank and the maximum strength of the committee shall be determined by the Registrar in consultation with the committee of the bank.

(2) An individual member shall not be eligible for appointment as a member of the committee of a financing bank unless he holds such number of shares, or has invested in fixed deposits in such bank such amount, as may be fixed by the Registrar from time to time in consultation with the committee of such bank.

*Disqualification for membership of committee.*

XXVII. (1) No person shall be eligible for appointment as a member of the committee of any society, if he—

- (a) is an applicant to be adjudicated a bankrupt or an insolvent or an uncertificated bankrupt or undischarged insolvent; or
- (b) has been sentenced for any offence other than an offence of a political character or an offence not involving moral delinquency, such sentence not having been reversed or the offence pardoned; or
- (c) is of unsound mind, a deaf mute or a leper; or
- (d) is a paid employee of the society or of any other society not being a society composed exclusively of employees.

(2) A member of the committee of any society shall cease to hold his office as such, if he—

- (a) applies to be adjudicated, or is adjudicated, a bankrupt or an insolvent; or
- (b) is sentenced for any such offence as is described in clause (b) of sub-rule (1); or
- (c) becomes of unsound mind, a deaf mute, or a leper; or
- (d) becomes a paid employee of the society or of any other society not being a society composed exclusively of employees.

Provided that, where a person ceases to be a member of the committee under clause (b), he shall be restored to office for such portion of the period for which he was elected as may remain unexpired at the date of such restoration, if and when the sentence is annulled on appeal or revision and any person elected to fill the vacancy in the interim shall on such restoration vacate office.

*Term of office of member of committee who is a delegate of another society.*

XXVIII. A delegate of one society sitting on the committee of another society shall cease to be a member of such committee—

(a) if the society which elected him as a delegate withdraws him or elects another delegate in his stead ; or

(b) in case he was elected as a delegate by a society, on the supersession of the committee of such society under section 43 of the Act, provided that the person or persons appointed under the said section shall have power to nominate himself or one among them or any member of the society, to the committee of another society ; or

(c) if the registration of the society of which he is the delegate is cancelled.

*Officer of society appearing as legal practitioner in certain cases to vacate office.*

XXIX. Any officer of the society who appears as a legal practitioner—

(i) against such society or against any other society which is a member of the former society, or

(ii) (otherwise than in an honorary capacity) on behalf of such society or on behalf of any other society which is a member of the former society, shall be deemed to have vacated his office as such."

## Correspondence.

### AUDIT FEES IN CO-OPERATIVE SOCIETIES.

Sir,

May I request the hospitality of your columns to set forth the grievance of co-operative societies with regard to the scale of fees for their audit as laid down in the recent order of Government No. 1792 (Development) dated 27th January '36.

A succinct history of the question is necessary for the proper understanding of the problem. Originally the audit of all societies was undertaken by Government free of charge. Subsequently the Government were of opinion that this work could be handed over to non-official agencies and with a view to encourage such non-official audit prescribed a prohibitive scale of fees payable to Government, if co-operative societies still preferred to retain Departmental audit. But within a period of 12 months the Government again changed their policy and in G. O. No. 224 dated 21-2-'33 declared themselves definitely in favour of Departmental audit, but strange to say, the prohibitive scale of audit fees was left unaltered. This scale of fees has been the subject of repeated and insistent representation by co-operative societies and conferences alike, and as a result the Registrar felt the necessity of recommending to the Government a modest reduction of 25 per cent. in the existing scale of audit fees. But the Government in their recent Order No. 1792 have turned down the proposal of the Registrar and granted a reduction of only  $12\frac{1}{2}$  per cent with power to the Registrar to grant remission not exceeding another  $2\frac{1}{2}$  per cent in deserving cases. The Government in ordering a uniform reduction of  $12\frac{1}{2}$  per cent in the scale of audit fees do not seem to be aware that in practice there are two different scales, one applicable to central banks and another to primary societies operating with unequal incidence. So far as central banks are concerned, it may be conceded that the scale is a reasonable one, because the fees levied thereunder more or less approximate to the actual cost of audit, and if however the central banks had any grievance, the reduction of  $12\frac{1}{2}$  per cent is bound to give general satisfaction.

But the Government seem to ignore the fact that there is a wide gulf between the scale of fees levied for central banks and that for primary societies. While central banks are charged only 12 annas per Rs. 1,000 of the working capital for the first 5 lakhs, the primary societies are charged As. 8 per Rs. 100 for the first Rs. 50,000, As. 6 per Rs. 100 for the next Rs. 50,000, of the working capital, and so on. It is thus evident that the initial rate in the case of primary societies works out at nearly 7 times that in the case of central banks.



It is this aspect of the question that calls for redress. As a result of this oppressive scale, the audit fees charged on primary societies are out of all proportion to the actual cost. There is a general complaint in the District that the audit fees charged are unconscionably high and that the Government are 'out to make the audit of co-operative societies a source of profit. At any rate, I am sure that in the case of the Mangalore Catholic Co-operative Society (of which I was one of the principal organizers in 1912 and of which I am a member) 'the audit fees levied assume the nature of an "iniquitous impost." Suffice it to say that while the actual cost of audit does not exceed Rs. 200 per year, the fees levied mounted up to the huge total of Rs. 966-8-0 for 34-35 and of Rs. 1,030-3-0 for 33-34 (a sum even larger than what I understand the Madras Provincial Co-operative Bank has to pay for its audit.) The enormous disparity is obvious and shows that something is rotten somewhere and calls for a drastic remedy. A reduction of 12 per cent as recently ordered, is a mockery, adding insult to injury.

The unreasonableness and injustice of the scale applicable to primary societies become all the more obvious, when it is considered that the South Kanara Central Co-operative Bank with its total working capital of Rs. 10,20,124 has to pay only Rs. 593 for about 180 days' work of audit, when the M. C. C. C. Society with its total working capital of Rs. 4,37,560 has to pay Rs. 966 for about 90 days' work. On the very face of it, the scale of audit fees stands self condemned that permits of such glaring incongruity, whereby for more work less is charged and for less work more is charged.

The point therefore need not be further laboured that the scale for primary societies is oppressively high and that the reduction of 12½ per cent does not even touch the fringe of the problem. No reduction that falls short of 50 per cent. in the scale can even satisfy the principles of justice and equity.

Not only does the scale of fees need revision but also the definition of the term "Working Capital," on which the audit fees is levied. Under this expression are included the Share Capital, Deposits, Loans from Central Banks, and Reserve Fund. One fails to see the appropriateness and justice of the Reserve Fund, which has to be compulsorily invested outside the Society, being included in the working capital, since it does not contribute to its transactions nor to the auditor's work. A fee levied (and a crushing one at that) on the Reserve Fund amounts to a penalty for building up a Reserve. For the same reason, the surplus funds of a Society which have to be invested in a Central Bank for want of a suitable outlet, or in Government Securities for purpose of fluid resources, cannot also be properly included in the term "Working Capital."

It will thus be seen that the present scale of audit fees applicable to primary societies is really oppressive and calls for immediate relief. Inadequate as was the relief afforded in the Registrar's recommendation for a reduction of 25 per cent in the existing scale, it was an irony of fate that an Indian minister should have turned down even that modest proposal and ordered a reduction of only 12½ per cent. When the Government has made Departmental audit compulsory, they are under a moral obligation to see that the fees levied do not exceed the actual cost involved. It is therefore hoped that the Government will reconsider the whole question and either substantially modify the scale and change the definition of the term "Working Capital" or allow co-operative societies to have their own audit through certified auditors.

JEROME A. SALDHANA.

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## News and Notes.

During the absence of Mr. T. Austin, I.C.S., on leave for a period of six months, Mr. M. Giriappa, Joint Registrar, has been appointed to act as Registrar and Mr. M. Rangaswami Naidu, Deputy Registrar is to act as Joint Registrar.

Two consumers' co-operative societies have been recently started in the city of Baghdad. They are the first of their kind and it is hoped following their example others will soon be started in the different quarters of the town.

The Agricultural and Industrial Bank of Iran (Persia) has promoted agricultural co-operative societies in some districts of Iran. These societies supply their members with agricultural and domestic requirements and also market their produce.

In the recent session of the Legislative Council of Punjab a resolution was passed urging the Government to take steps to form a Provincial Land Mortgage Bank for the Punjab on the lines of the recently started Bombay Bank. The Government did not oppose the resolution but pointed out that the Land Alienation Act was a stumbling block in the way of opening such a Bank in the Punjab.

Sir G. S. Bajpai stated in the Assembly that, though till now the Government had not felt the need for a special machinery at the centre for rural reconstruction work, still should circumstances in future necessitate the creation of a central organisation to deal with rural reconstruction, it would not hesitate to take such action as may be necessary. Mr. Satyamurthi's question whether the Government proposed to withdraw their last year's circular regarding the All-India Village Industries Association remained unanswered, the President calling for the next question.

There are two co-operative societies working, one for credit and the other for house building, under the supervision of the Welfare Committee of the Buckingham and Carnatic Mills, Madras, for the benefit of their workmen. The Building Society has not developed because it has not yet succeeded in obtaining a suitable site near the mills for building houses for its members, who were 44 during the year ending with February last. The credit society, however, had a membership of 2,342 with a paid up share capital of about Rs. 62,000. During the year under report, the Society granted 1780 loans amounting to about Rs. 1,77,000. During the co operative year ending the 30th June 1935, it earned a net profit of Rs. 8,453-6-0 and distributed a dividend of 9 per cent. The rate of interest on loans has now been reduced from 2 pies to 1½ pies per rupee. Recurring deposits have attained a decree of popularity and now amount to over Rs. 37,000.

## NEWS AND NOTES

Co-operation received its due share of attention during the recent budget session of the Pudukottah Legislative Council. A resolution was passed requesting the Government to organise and finance special co-operative societies for raising commercial crops like sugar-cane, cotton, tobacco, ground-nut etc. Another resolution which urged that the levy of registration fees should be kept in abeyance was defeated by the narrowest majority. A third resolution, which was discussed at considerable length, recommended the starting of a Land Mortgage Bank. Official members spoke against the resolution and among non-officials opinion was divided, the most experienced co-operators in the State not supporting it. When the resolution was put to vote those who had spoken against it remained neutral and so it was passed by a small number of members voting for it—a circumstance which deprives the resolution of whatever value it might have possessed.

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'The Foundation Day' of the T. U. C. S. was celebrated on the 9th of April last at the T. U. C. S. Jubilee Hall, Triplicane and was presided over by Mr. M. Ratnaswami, of the Public Services Commission, Madras. Mr. P. N. Marthandam Pillai, President of the Society welcomed the guests and read a statement of the record of the work of the Society for the last year. Dr. Mahamahopadhyaya V. Swaminatha Iyer, one of founders of the Society, in the course of a short speech said that he was the first person to pay the share capital when the society was founded. Rao Sahib T. S. Subramania Iyer, also one of the founders, speaking next paid a tribute to the work and zeal of the late Mr. T. K. Hanumantha Rao. He observed further that consumers' societies had not made much advance in our country as no adequate propaganda was done in this direction from the beginning. He said that women in the West took great interest in the movement and our Indian women should learn a lesson from them. Prof. S. K. Yegnanarayana Iyer observed that the success of the society depended mostly on the close co-operation between the employees of the Society and the management.

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The following resolution on the world situation was adopted by the Executive of the I. C. A. at Geneva, 28th March 1936:—

The Executive Committee of the International Co-operative Alliance, representing the World Movement of Co-operation, assembled at Geneva in the presence of the latest European Crisis and the renewed menace of war, expresses its deep concern at the possibility of humanity being once again plunged into the maelstrom of armed conflict with the criminal sacrifice of human life and of all the horrors and destruction which it entails.

The Co-operators of the World raise their voices in indignant protest against the failure of statesmanship and diplomacy to prevent the

constant recurrence of crises which threaten to destroy civilisation itself; and deplore their inability to bring about an understanding between the nations which would lead to the settlement of international disputes and differences by the arbitrament of reason instead of by death-dealing weapons of war.

The International Co-operative Alliance declares its confidence in the system of Collective Security and Peace which the League of Nations is designed to achieve. It calls upon all Co-operators, and upon all people of good will in every land, to use their utmost endeavours to range their respective Governments in support of the League and the reinforcement of its efforts to establish Collective Security and Universal Peace.

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The Government Telegraphic Employees' Co-operative Society Madras celebrated its eleventh co-operators' day at the Victoria Public Hall, Madras on the evening of the 5th April. The function began with a social and was presided over by Mr. H. P. Bhaumik, Postmaster General. In welcoming the members and guests Mr. V. Manikka Mudaliar, Honorary Secretary of the society, gave particulars of its working during the year and pleaded for a reduction of the audit fee levied by the Government and also for permission to increase the individual maximum borrowing limit from four to six months pay. Mr. Bhaumik, while praising the good work done by the society, suggested that it should also undertake the supply of unadulterated food stuffs to its members. Dr. P. S. Lokanathan, who delivered the anniversary address, pointed out that co-operation did not consist in merely providing cheap credit but was really a new way of life based on mutual service. He suggested that the members should form themselves into a trade union, should join the T. U. C. S., organise adult education classes, an efficient medical service and a scheme of relief for the families of members who died young and without insuring themselves. Mr. M. Giriappa, Joint Registrar, who spoke next, promised sympathetic consideration for the request to raise the borrowing limit of members. Medals were then awarded to Messrs. M. Karunakara Menon and R. Satyanarayana whose essays on Urban Co-operation were adjudged the best in the competition announced last year. The pleasant function ended with the enactment of selected scenes from "Valli's Wedding".

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On 31-3-1936 the above mentioned society had 1,222 numbers drawn from all parts of the Presidency, and a share capital of Rs. 42,000. The amount of loans issued during the year was Rs. 3,27,510 as against Rs. 2,67,284 in the previous year. The Thrift Fund, which is a distinctive feature of the society to which every member is obliged to contribute a small percentage of his salary and on which an interest at 5 per cent and a bonus from profits of 2 per cent is given, has grown to over Rs. 1,00,000.

## NEWS AND NOTES

The society conducts a store section and a tailoring department. The former has at present confined itself to the sale of textile goods produced by the Salem Weavers' and other co-operative societies. During the last 12 months its sales amounted to Rs. 4,000, while the monthly out-turn of the tailoring branch is reported to be Rs. 700 nearly. The public library run by the society was attended by more than 14600 persons during the last 12 months. Towards its maintenance the Telegraph Recreation Club and the Indian Telegraph Restaurant are each contributing Rs. 10 per month. The Telegraph Employees have indeed shown an admirable spirit of co-operation.

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C. W. S. RECORD SALES. Sales of the C. W. S. reached a total of £98,283,975 in the year ended 11th January, 1936. This is a record for the Society, with the exception of the year 1920, when prices were highly inflated. The increase in trade as compared with the previous year is £8,106,303, or 8.9 per cent. The result is the more satisfactory since an increased contribution was made by the Society's own productive works. During the year the value of their output was £32,450,070, an increase of £3,130,264, or 10.6 per cent over 1934-35. It is anticipated that sales will reach £100 million in the current year.

AGRICULTURAL CO-OPERATION IN 1934. The report on the working of Agricultural Co-operative Societies in 1934 published by the Minister of labour states that total membership of all Agricultural Societies at the end of 1934 was 288,000, a decrease of 4,000 on 1933. Their share and loan capital and reserves were £3,858,000 against £3,669,000 in 1933. Sales of requirements such as seeds, fertilizer, etc., to members increased by £960,000 in 1934 but sales of produce decreased by £345,000. The number of Agricultural Supply Societies fell from 313 to 297. On the other hand, their combined membership increased by 300 to 85,942, sales by £1,084,143 to £8,419,030 and net surplus from £143,523 to £253,339. Societies in this category consisted of Farmers' Societies and Allotment Societies. The Produce Marketing Societies, 267 in all (6 more than in 1933) included 72 Dairy, 75 Egg and Poultry, 14 Market Gardeners', 37 Farmers' and Growers', 22 Miscellaneous, and 47 Fishermen's Societies. Their combined membership increased by 1,165 to 44,094, but sales fell by £478,548 to £3,257,305.

—(Co-operative News Service.)

**List of Societies Registered in March 1936.**

S. No.	Name of the Society.	District.
1.	Paramathi C. S. ... ..	Salem.
2.	Kattamaravapalayam C. S. ... ..	
3.	Singalandapuram West C. S. ... ..	
4.	Narasapur Co-op. Crop Loan and Sales Society, Ltd. ... ..	West Godavari.
5.	Thuvrankurichi Co-op. Credit Society ... ..	Trichinopoly.
6.	Kulitalai Weavers Co-op. Society, Ltd. ... ..	"
7.	Gujilyanparai Co-op. Society ... ..	"
8.	Anaipatti Co-op. Society ... ..	"
9.	Kannumekkipattai Co-op. Society ... ..	"
10.	Panayapuram Co-op. Society ... ..	"
11.	Uttamaseri Co-op. Credit Society ... ..	"
12.	Kilikku Co-op. Credit Society ... ..	"
13.	The Trichinopoly Govt. Training School Students Co-operative Stores, Ltd. ... ..	"
14.	Thiruvallam Co-op. Credit Society ... ..	North Arcot.
15.	Nadukuppam Co-op. Credit Society ... ..	"
16.	The Zamorin's College Co-op. Stores, Ltd. ....	Malabar.
17.	The Chittoor Co op. Land Mort. Bank, Ltd. ....	Chittoor.
18.	Gendikanahalli Co-op. Society ... ..	Salem.
19.	Kallakurichi-Vellalappatti Co-op. Society ... ..	"
20.	The Rayadurg Hand-Loom Weavers' Purchase and Sale Co-op. Society, Ltd. ... ..	Bellary.
21.	The Mandigiri Co-op. Credit Society ... ..	Kurnool.

**List of Societies Liquidated in March 1936.**

Name of the Society.	District.	Taluk.	Date of Cancellation.
Paramathi C. S. ... ..	Salem ... ..	Namakkal ... ..	8-3-1936.
Velleri C. S. ... ..	North Arcot ... ..	Arni Jaghir ... ..	11-3-1936.
Haladahalli C. S. ... ..	Bellary ... ..	Bellary ... ..	"
Bhogapuram C. S. ... ..	Vizagapatam ... ..	Veeravilli ... ..	"
A. Mallavaram C. S. ... ..	East Godavari ... ..	Pithapuram ... ..	12-3-1936.
Ramagiri Udayagiri Co-operative Purchase and Sale Society, Ltd. ... ..	Ganjam ... ..	Udayagiri ... ..	13-3-1936.
Kodumudi Local Co-operative Union ... ..	Coimbatore ... ..	Erode ... ..	15-3-1936.
Atmakur Christian C.S. ... ..	Guntur ... ..	Guntur ... ..	"
Anayur C. S. ... ..	Malabar ... ..	Walluvanad ... ..	16-3-1936.
Kattamaravapalayam C.S. ... ..	Salem ... ..	Namakkal ... ..	"
Koothangula C. S. ... ..	Tinnevely ... ..	Nanguneri ... ..	20-3-1936.
Rajankrishnapuram C. S. ... ..	... ..	... ..	"
Singalandapuram West C. S. ... ..	Salem ... ..	Namakkal ... ..	26-3-1936.
Elathur C. S. ... ..	Malabar ... ..	Calicut ... ..	28-3-1936.
The East Godavari Local Fund and Municipal Employees Benefit Fund, Ltd. ... ..	East Godavari ... ..	Cocanada ... ..	29-3-1936.

## Registrar's Circulars.

No. B-1. 2263/36.

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 28th March 1936.*

T. AUSTIN ESQ., I.C.S.,  
*Registrar.*

### CIRCULAR.

*Sub* :—Central Land Mortgage Bank—investment of funds in the debentures by Central Banks.

*Read* : 1. Registrar's circular R. Dis. A. 3658/33 dated 19th July 1933; and

2. G. O. No. 1272 Ms. Dev. dated 14th September 1935 communicated with the Registrar's endorsement No. B-1. 6894/34 dated 18th September 1935.

In the Registrar's circular R. Dis. A. 3658/33 dated 19th July 1933 Central Banks were advised to invest in the Central Land Mortgage Bank debentures their reserve fund not exceeding one-third of the amount to the credit of that fund. In G. O. No. 1272 Ms. Development dated 14th September 1935 they were also permitted to invest in the debentures their general funds and to reckon the debentures so held for the purpose of fluid resource up to a limit of one-third of the standard required to be maintained by them, the debentures being taken at 80 per cent of their market value. Since the issue of the circular and the G. O. Central Banks have not invested their funds in the Central Land Mortgage Bank debentures to any large extent.

2. The financial statements for the quarter ended 31st December 1935 sent by Central Banks show that they have invested in the debentures only Rs. 4,23,300 of their general funds. The statements do not show the amount of reserve fund invested in the debentures. Though the debentures have not come to the stock market on a wide scale even as the Government paper, they are as sound as the Government paper in point of security. They are backed by first mortgages of agricultural land, have the Government guarantee of both principal and interest and under the amended Indian Trusts Act are deemed to be securities of the Local Government. The Madras Provincial Co-operative Bank has been granting cash credits on the cover of the debentures.

Agreements are being made to employ paid brokers to place the debentures on the stock market on a larger scale. Insurance Companies and the general public are taking up the debentures. The Oriental



Government Security Life Assurance Company, Ltd., has invested over five lakhs of rupees in the debentures.

3. Central Banks are requested, therefore, to invest in the Central Land Mortgage Bank debentures their reserve funds and general funds up to the maximum limit permissible and assist the Central Land Mortgage Bank in the redemption of agricultural indebtedness. The Central Land Mortgage Bank has been floating  $3\frac{1}{2}$  per cent 20 year debentures and the debentures are non-redeemable except to the extent of annual collections in the first ten years from the date of issue. The yield on the investment of the reserve fund in the debentures cannot be said to be low. The Central Banks are requested also to furnish the Registrar with details of their present investments in the Central Land Mortgage Bank debentures both out of reserve fund and out of general funds.

(By Order)

K. A. PADMANABHAN,  
*Manager.*

R 1-4663/36

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 29th March 1936.*

T. AUSTIN ESQ., I.C.S.,  
*Registrar.*

# CIRCULAR.

*Sub* :—Execution—sale of immovable property—interest to be allowed up to the date of confirmation of sale.

In Execution proceedings taken either under Rule XXII of the Rules framed under the Madras Co-operative Societies Act, 1932, or under the Madras Co-operative Land Mortgage Banks Act, 1934, where immovable property is sold, the sale is confirmed only after thirty days from the date of sale. The question has been raised as to whether the creditor has to be allowed interest upto the date of sale or the date of payment of the purchase money or the date of confirmation of sale.

2. Sub-Rule (b) of Rule II of Order XXXIV, Schedule I of the Civil Procedure Code permits the court to allow interest on the decretal amount upto the date of realisation or actual payment. It is argued that the term "date of realisation or actual payment" is only the date of confirmation of sale. This view is supported by decisions of courts.

3. The date of sale is not considered, as on that date the whole of the purchase money which has to be distributed is not available for the purpose. The date of payment of the purchase money is also not considered, as the purchase money is available for distribution only in the event of the ultimate confirmation of the sale. For, at any time

## REGISTRARS' CIRCULARS

before the confirmation of the sale the debtor or any person interested in the property may apply for a reversal of the sale and if the sale proceeds are made available to the creditor, he runs the risk of being called on to refund the sum to the purchaser as soon as the sale is reversed.

4. The earliest date on which the sale proceeds are available for distribution is only the date of confirmation of the sale. Interest must, therefore, be paid to the creditor upto the date of confirmation of the sale. This is the principle underlying Section 84 of the Transfer of Property Act.

5. Sale officers under the Madras Co-operative Societies Act, 1932 and the Madras Co-operative Land Mortgage Banks Act, 1934 and the Deputy and Sub-Deputy Registrars in independent charge are, therefore, requested to allow interest upto the date of confirmation of the sale when execution proceedings are taken against immovable property.

(By Order),

K. A. PADMANABHAN,  
*Manager.*

B. 6458/35

OFFICE OF THE  
REGISTRAR OF CO-OPERATIVE SOCIETIES,  
*Madras, Dated 10th April 1936.*

M. R. Ry. M. GIRIAPPA AVL., B.A.,  
*Joint Registrar.*

### MEMORANDUM.

*Sub .—Crop Loans—issue of by Co-operative Societies.*

In offering his remarks on the recommendations of the special officer appointed to investigate the extent of indebtedness of the Agriculturists in this presidency, the Director of Agriculture has reported to Government that crop loans should be far more freely given and that such loans form at present only 1 per cent of the total loans given by co-operative societies. The Government have drawn attention to this recommendation. All Deputy Registrars and Sub Deputy Registrars in independent charge are requested to advise co-operative societies to give crop loans far more freely and see that the agriculturists are benefited. Their attention is invited to the Registrar's Memorandum C. 5775/35 dated 10—8—35 regarding Government aid to loan and sale societies.

(By Order),

A. SINGARA RAJU PILLAI,  
*Manager.*





The Hon'ble Sir K. V. REDDI,  
Law Member to the Government  
of Madras, who has been appointed  
to act as the Governor of Madras  
during the absence of Lord Erskine,  
on leave.



The Late Sir M. Ramachandra Rao.

# THE Madras Journal of Co-operation

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[No. 12

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## Editorial Notes.

### The Late Sir M. Ramachandra Rao.

The death of Sir M. Ramachandra Rao on the 17th of May last at Bangalore has come as a shock on the public. Though he was not in the best of health for some months past, he was able to attend to his normal duties and no one imagined that there was anything seriously wrong with his health. His end has come very suddenly.

Sir M. Ramachandra Rao's death removes from the ranks of publicists in India one of her foremost leaders. His long and distinguished public career was one of devoted service to the country. In politics, he was an active and progressive member of the National Liberal Federation and distinguished himself by his deep study, grasp of public questions and soundness and sobriety of judgment. Sir M. Ramachandra Rao was 68 years of age at the time of his death. He had his early education in Madras in the Hindu High School, Triplicane and in the Presidency College. After graduating in Law, he was apprenticed to the late Andrew Lang and later he set up practice at Elore. He soon rose to the top of the profession. Even when he was in active practice at the Bar, he devoted a great deal of his time and energy to public work. He was a member of the Madras Legislative Council for a continuous period of 12 years up to the inauguration of the Montagu-Chelmsford Reforms in 1920. During his membership of the Madras Legislative Council, he

evinced great interest in matters relating to Land Revenue, Local Self Government, Irrigation, Education and Sanitation, and elicited the admiration of even the official benches in regard to his knowledge of principles and details of almost all administrative problems. The way in which he handled questions of public finance elicited from Sir Harold Stewart, one of the ablest members of the Madras Government, the compliment that Sir (then Mr.) Ramachandra Rao was the "Gokhale of Madras". He was returned to the Legislative Assembly from the Godavari-Kistna rural constituency in 1923 and during the three years that he sat in the Legislative Assembly, he contributed much which is of value to the deliberations of that body.

For his own town of Ellore he did perhaps more than any individual has done. When Sir Ramachandra Rao assumed charge as Chairman of the Ellore Municipal Council it was a filthy town, almost uninhabitable. He laboured hard to so improve the civic amenities of his town as to ultimately make it fit to be the headquarters of a district. His administration of the Rajahmundry Municipality as its Chairman and of the Kistna District Board as its President won for him the appreciation of the Government as well as the people.

Sir M. Ramachandra Rao served on many Commissions and Committees like the Sandhurst Committee, the Sken Committee and the Lytton Committee. He went to England as a member of the Liberal Federation in 1919 in connection with the Montagu-Chelmsford proposals, and on that occasion he presented a very able memorandum on the question of re-division of Indian provinces on a linguistic basis. He then made out a very strong case for the constitution of a separate Andhra Province. He served on the first and second Round Table Conferences at the invitation of the Government in England. He took active interest in problems connected with subjects of Indian States and presided over their conferences.

To co-operators, Sir M. Ramachandra Rao's services as the President of the Madras Co-operative Central Land Mortgage Bank, stand out as a shining example of what a single individual can do to promote co-operation in a province. Sir M. Ramachandra Rao succeeded the late lamented Dr. S. Swaminadhan as the President of the Central Land Mortgage Bank in the year 1930 and for about six years, he gave his best not only to the institution of which he was the President but also to the entire organisation of land mortgage banking in the province. It may be said that it was his

personal influence and the confidence created by him in the Madras Government that secured for the debentures of the Central Land Mortgage Bank the status of Trustee Securities whose principal and interest were guaranteed by the Provincial Government. His nomination as a Director of the Central Board of the Reserve Bank of India was a fitting recognition of his services to the Co-operative Movement and no better or happier choice could have been made for the place. During the short time that he was a member of the Board of the Reserve Bank, he devoted all his energies to the question of the establishment of a rural credit branch of the Reserve Bank, to help the development of Indian Agricultural Industry and to promote the economic interests of the Indian agriculturists. It is a matter of deep regret that he is not alive to see the fruits of his labours in this sphere.

The outstanding trait of his character was his adherence to principles in which he believed. He never shaped his public conduct either to win the approbation or to avoid the disapprobation of his critics, but always strove to do what he considered to be right and for the good of the country. We beg to convey our heart-felt sympathy to the members of his family in their sad bereavement. The numerous messages of condolence and appreciation of Sir M. Ramachandra Rao's services to the country will, we hope, be a source of some consolation to the members of his family in the thought that the grief caused by his death is shared with them by his numerous friends and admirers all over India.

## The All-India Village Industries Association.

It is easy to expect too much of an institution like the Village Industries Association which has the personality of Mahatma Gandhi behind it and which was started in pursuance of a resolution of the Indian National Congress. The first annual report of the Association—for the period from 14th December 1934 to 31st December 1935—shows that it has done very substantial work, in spite of the fact that, being the first year of its existence, it had to grope its way for a considerable part of the period. From its name one would suppose that the activities of the Association would be confined to the economic field. But as its objects include the moral and physical improvement of villagers, it has quite a comprehensive programme of rural reconstruction. Though the Congress resolution, (passed at Bombay in October 1934) bringing it into existence, spoke of it as 'part of the activities of the Congress,' it is an independent non-



political organisation, with which it should be possible for bodies like co-operative societies and even Departments of Government, which work for rural uplift to co-operate. The report shows that there is no obstacle to such co-operation and that it would be quite welcome.

The report is confined to the work done in 115 villages, 10 groups of villages and in parts of 15 districts. (It is not made clear whether the parts of the 15 districts include or exclude the 115 villages). Attention was concentrated on (1) sanitation and hygiene (2) diet and (3) industries. Much propaganda was naturally done by means of lectures, leaflets, charts, posters, magic lantern slides and exhibitions. Patient and very useful research work was carried on at different places in respect of several articles and processes and to some extent the marketing of goods was also organised. The Association has laid down the rule that in respect of all work carried on under its auspices, a minimum wage should be given to each workman—that is, for eight hours' efficient work he should be given a wage which would be sufficient to provide him with a minimum of scientifically prescribed food and other requirements, and that it should be raised as circumstances permitted until the earnings of the workers in a family should be sufficient to maintain the whole family. The adoption of this minimum wage will be warmly welcomed by co-operators with whom equitable wages and equitable prices are a matter of principle.

#### *Village Sanitation.*

In respect of sanitation the matter that received attention first was the prevention of the fouling of streets, open spaces and river-beds and the conversion of excreta into manure. Attempts were made to introduce simple and inexpensive trench latrines, and to induce people to cover up the excreta with earth in order to prevent bad smell and the spread of disease through flies. Scavenging by workers was also undertaken in many villages. The report frankly states that not much success has attended these efforts and that no co-operation worth the name has been forthcoming from the people. This is not surprising, since the habits and prejudices of centuries are not given up in a short time. We should say that scavenging by high caste outsiders will be looked upon by the villagers as a showy and heroic act and will not impress them with its practicability. Other means should therefore be found for achieving the object. No mention is made in the report of bore-hole latrines which have become

popular in some villages in South India. We invite the Association to examine their suitability. The use of night-soil manure was successfully demonstrated in some villages in Bengal. Indeed the difficulty is not in convincing villagers of its value, but in overcoming their prejudice against removing night-soil for conversion into manure. To show that there was nothing degrading in it the high caste workers of the Association did this work.

Other sanitary measures adopted were the construction of soak-pits or drains to prevent waste water from houses forming cess-pools which stink and breed mosquitoes, the sweeping of villages either by paid or voluntary agencies, cleaning village sites and tanks, the provision of tube wells, the distribution of medicines, the adoption of preventive measures against epidemic outbreaks etc. In all sanitary work wherever possible, the help of the Local Board and of the medical officer was obtained.

### *Soya Beans.*

With regard to diet, opinions of eminent medical men all over the country were obtained regarding the relative merits of polished vs. unpolished rice, hand-ground wheat flour vs. mill-ground flour and jaggery vs. refined sugar. 'Medical opinion being invariably in favour of the less processed foods, leaflets to this effect were printed and distributed, illustrative maps and posters exhibited and articles contributed to various papers'. An interesting experiment was made to ascertain the value of soya bean as an article of food by giving it for three months both morning and evening to those who lived at the headquarters of the Association at Wardha to the exclusion of other protied foods, and by noting their weights weekly. The result confirmed the opinion of diet experts that soya bean should not be taken as the sole source of protien, but was valuable only when taken in small quantities for supplementing a vegetarian menu deficient in animal protiens. Another experiment made at Wardha on the use of tamarind showed that it was good for removing constipation even in chronic cases and that in no case was it found to induce cold, rheumatism or boils as many people outside South India believe it to do.

### *Paddy-Husking.*

Regarding industries, experiments and research were conducted in respect of more than twenty industries in different parts of the country. The work done is of the utmost value and more than

justifies the existence of the Association. Paddy-husking by means of 'earth, stone, cement and wooden chakkis' (grinding stones) is recommended in preference to husking by *dhenki* or pestle as giving less polish to rice and retaining more of its food value. The experiments regarding this article were made in South India. As an occupation for villagers, paddy-pounding had made the best progress in Guntur District—as we know, due to the concentrated efforts of Messrs. Sitarama Sastri and Venkatarangayya—and to some extent in the Tiruvanamalai area where Rao Saheb M. S. Seshachala Aiyer, the well known co-operator, is taking a keen interest in the matter.

### *Palm Jaggery.*

The report reveals the immense potentialities that exist for the industry of making gur or jaggery from palm juice. Says the report :

"Crores of rupees worth palm gur can be produced if palm trees all over India be utilised. Facts and figures were collected by deputing a special worker in Bengal and it was found that a man can earn about Rs. 120 in a season of less than four months by engaging himself in tapping 15 trees and preparing gur from the juice so obtained . . . Besides, palm gur is preferable even to sugarcane gur for the reason that sugarcane requires cultivable land and plenty of irrigation while palm trees grow on waste lands and often on the edge of fields and require no irrigation or attention. There are millions of trees growing all over India not being utilised for this purpose and easily capable of yielding about Rs. 5 worth of gur per tree per season. It is therefore a sound economic proposition that efforts should be concentrated on making gur from palm juice."

What needs to be overcome is the religious prejudice of people against using palm gur. Widespread propaganda is necessary for this purpose. Experiments were successfully made in Bengal, Malabar and Andhra Desa for improving the colour of the palm gur. We invite co-operative societies in this and other provinces to interest themselves in the establishment and expansion of this industry. Their help in financing the industry and in marketing the produce will be of special value.

### *Tanning.*

Of equal importance is the work done in connection with tanning and the disposal of carcasses at the Tanning Institute of Calcutta under the direction of Mr. Satischendra Das Gupta. After ten months of work done there, the Association is in a position to say that 'village chamars (or leather-workers) may make high quality chrome leather equal to factory-finished leather, with the help of

appliances which are suitable for cottages." A simple and economical way of disposing of carcasses has been discovered, by which every part of a dead animal—skin, flesh, bone, etc.,—will be converted into a useful article. It seems a powder is made out of the flesh and bones after they are well boiled and also out of the blood after it is dried, and that this powder is a valuable manure for which there is a ready market. The Association proposes to bring out a booklet on this subject in the near future. It speaks also of a pedal-ginning machine having been invented at Sabarmathi, whose out-turn is three times that of the old-fashioned machine. This will be found to be of very great value for the cotton producing areas. It also speaks of thin, light, non-absorbent paper being made at the headquarters of the Association, which weighs only 4 to 5 lbs. per ream.

The Association had appointed during the year under report 56 Agents, among whom were Messrs. N. Satyanarayana and G. Sitarama Sastri, superintendents of the Rural Reconstruction centres of the Madras Provincial Co-operative Union conducted at Alamuru and Vinayashram respectively. We are also happy to see among them our veteran co-operators, Rao Saheb M. S. Seshachela Aiyar of Tiruvannamalai and Mr. T. Audinarayana Chettiar of Salem. The Association had 32 certified depots for the sale of articles produced under its auspices. But the only place in South India which had these shops was Guntur. It is a discredit to the city of Madras that it had no such shop. During the short period of its existence the Association has done very useful and valuable work, with which the several agencies interested in rural uplift and co-operative societies generally will do well to become closely acquainted.

### Liquidators' powers under the Co-operative Societies Act.

In our May issue we referred to a decision of the Madras High Court in two connected second appeals that arose from the decision of the District Court of South Kanara<sup>\*</sup>. The liquidator of the Uppinangadi Rural Credit Society in South Kanara levied contributions from two persons, who were alleged to be members, under powers vested in him by section 42-2 (a) of the Co-operative Societies Act (II of 1912). The two persons against whom the contributions were levied contended that they ceased to be members of the society five years previous to the order of liquidation by resigning their membership and taking back their share capital. The liquidator took evidence on the question of fact raised by the objectors and found that their allegations were not true and levied the contributions. They paid the contributions and filed two separate suits for their recovery on the ground that they were not liable. Both the District Munsiff of Puttur who tried the suits in the first instance and the District Judge of South Kanara who heard the appeals against the decrees of the

<sup>\*</sup>S. A. 840 and 1103 of 1931.

District Munsiff held that the order of the liquidator regarding the liability of the persons to make the contribution was final and that the Civil Courts had no jurisdiction to entertain the suits. They relied upon the provisions of section 42 (6) of the Co-operative Societies Act (II of 1912) which runs as follows :—

“Save in so far as hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.”

A bench of the Madras High Court consisting of Justices King and Menon held that the section of the Co-operative Societies Act relied upon by both the Courts below did not take away the rights of the appellants to be heard by a Civil Court in regard to their liability to make the contribution. Their Lordships made the following observation : “We are unable to find in the Act any clear indication that the liquidator can determine, in such a way that his determination is not subject to be set aside by the Civil Courts, who are liable either as members or as past members of the society to contribute to the assets of the society.” They accordingly remanded the suits for trial on merits to the court of first instance.

We are constrained to say, with due respect to their Lordships, that the interpretation placed by them on section 42 (6) of the Act is not correct. Section 42 sub-section (2) (a) gives the liquidator power “to determine the contribution to be made by the members and past members of the society respectively to the assets of the society.” To interpret the words, “to determine the contribution” as meaning merely the determination of the *amount* of the contribution and not the *liability* to contribute is not only to place an unduly restricted meaning on the wording of the section but to practically render the provision of the Act negatory. If the section is to be interpreted, as Their Lordships have done, all that is necessary to oust the jurisdiction of a liquidator to levy the contribution is to deny the liability in all such cases. The liquidator has either to go to the civil court himself to get the liability established or to expose himself to the risk of being impleaded as a defendant in suits in civil courts by those from whom contributions were levied in each case. Liquidation work, which is already long delayed, will practically come to a standstill, if this interpretation of the section by the High Court is accepted and acted upon.

There is unfortunately very little direct authority on the question in the shape of decided cases in the Indian High Courts. There are, however, two cases of the Lahore High Court which have some bearing on the question. In the case reported in A.I.R. 1933 Lahore, 442, it was held that the liquidator's power was limited to determine the contribution to be made by a member and he is not given power to decide whether a particular person is a member, and if any one disputes his membership, the dispute must be decided by some tribunal

before any question of contribution can arise. In a later decision of the same High Court reported in A.I.R. 1935, Lahore, 330, a distinction was drawn between cases in which persons against whom contributions were levied pleaded that they never were members of the society in question and in which such persons admitted that they were once members but ceased to be members later. The case from South Kanara was of the latter description. In the latter case the Lahore High Court held that notwithstanding the plea of the person against whom contribution was levied that he ceased to be a member more than two years before the contribution order was made, the liquidator had jurisdiction to decide whether the person really ceased to be a member and if not what contribution was due from him as a past member and that the civil court had no jurisdiction to entertain a suit to question his decision on either point. This decision seems to be on all force with the case from South Kanara. The decision of their Lordships of the Madras High Court, though they do not expressly say so, is evidently made to rest upon the general principle that in the absence of an exclusive jurisdiction expressly given by any Statute, the deciding authority under a special law like the Co-operative Societies Act may decide the preliminary questions which are necessary to vest him with jurisdiction, but such decisions on preliminary questions will still be open to be contested in a civil court. The leading authority on the subject is a full bench decision reported in 14 Cal. 67, which went on appeal to the Privy Council, whose decision is reported in 17 Cal. 590. The broad question that arose in that case was that when the revenue authorities had to decide under Bengal Act IX of 1847 the question of liability of certain lands to be assessed and the question of rate of assessment, whether the decision of the revenue authorities on both the questions was final or whether the question of liability to be assessed which was preliminary to a decision on the question of the rate of assessment was open to be contested in civil courts. It was held by the Privy Council that the decision on the question of liability to assessment was open to be contested in a civil court, though when such liability is found to exist the decision as to the rate of assessment could not be so re-opened in a civil court. On the analogy of that case, it was contended that while the amount of contribution decided by the liquidator could not be contested in a civil court, the liability to make the contribution was open to such contest. The question whether finality attaches to the decision of any special authorities like those acting under the Bengal Act IX of 1847 or the Co-operative Societies Act II of 1912 will depend upon the wording of the particular Act. It is enough to point out that the wording of the Bengal Act is very different from that of the Co-operative Societies Act, and the decisions in 14 Cal. and 17 Cal. quoted above are not in point in construing the provisions of Section 46 (2) of the Co-operative Societies Act II of 1912. The decisions under the Friendly Societies Act in England no doubt may have a bearing on the construction of the provisions of the Co-operative Societies Act,

for the statutory provisions ousting the jurisdiction of civil courts to question the decisions of the authorities constituted under the English Act are similar. The three leading cases which may be said to have any bearing on the question are those reported in 10 Common Pleas, 629, 1892, 2 Q. B. 225 and 1897, 1 Q. B. 257. But the observations in these cases have to be read with reference to the particular facts of the cases. All that was decided in these cases was that if one party to the litigation denied before the authorities acting under the Friendly Societies Act that the other party was ever a member of a friendly society or was not entitled to right of membership under the Act he cannot turn round and dispute the right of the latter to question in a civil court the decisions of the authorities acting under the Friendly Societies Act. That was more on the ground of estoppel against his own plea that the person aggrieved was not a member of the society. On a careful review of the existing authorities, Indian and English, it must be stated that the decision of the Division Bench of the Madras High Court does not derive any support from the decided cases.

The question requires the serious attention of the Government, for it will practically oust the jurisdiction of the liquidators acting under the Co-operative Societies Act to determine the liability of past members to make contributions whenever they merely allege that their membership ceased more than two years ago, and the civil courts will be flooded with suits on the question of liability. If we are otherwise unable to get rid of the effect of the decision, suitable legislation must be undertaken to make the provisions of sections 42 and 46 of the Act more explicit than they are. (The corresponding sections of the Madras Act (VI of 1932) are 47 and 51).

### His Excellency Sir K. V. Reddi Naidu.

We tender our sincere congratulations to Sir K. V. Reddi Naidu Garu on his appointment as acting Governor of Madras. It is a fitting recognition of his valuable services in Madras, first as Minister and then as Executive Councillor, and in South Africa as the Agent-General of the Viceroy.

Sir K. V. Reddi Naidu was the President of the Madras Provincial Co-operative Union during 1924-26 and in that capacity he evinced great interest in the development of the Co-operative Movement. He continued to take interest in the Co-operative Movement and in the short interval between his relinquishment of his office of Agent-General in South Africa and assumption of the office of Law Member to the Government of Madras, he made many notable speeches on co-operation and gave ample proof of his interest in the Movement. We hope that he will bring to bear his intimate knowledge of agricultural conditions of South India and zeal for rural reconstruction on the reform and resuscitation of the Co-operative Movement.

# Co-operative Societies and How to Improve Them.

## I

BY RAO BAHADUR A. VEDACHALA IYER,  
*Retired Registrar of Co-operative Societies.*

The time for overhauling the Co-operative movement arrived more than three years ago and I stressed this fact in a number of communications to the Registrar, the Provincial Union and the *Hindu*. Now I see that the present Registrar of Co-operative Societies (Madras) has called a meeting of the leading non-official co-operators and M. L. C's. for stock-taking of the present condition of the movement and to ascertain the various steps to be taken to pull up the movement wherever possible from the mire into which it has sunk. I have also seen the questionnaire which appeared in the *Hindu* of the 12th May, showing the directions in which the investigation may proceed. Before actually dealing with the general questions involved, I wish to lay before the public (Co-operative official and non-official) certain facts relating to co-operative borrowing and lending which are carried on under some slogan or other.

(1) It is said that Co-operation is an arrangement by which the borrowers and the lenders are to be one and the same. In fact, it is understood that the lending institutions should be composed of a preponderance of borrowers who should have a preponderating voice and that non-borrowers in such institutions should be few. They are not considered as responsible members having a co-operative bias but as profit seekers with an eye only to dividends. This can only be a distant ideal realisable when the institutions will be manned by selfless, intelligent borrowers who place their personal interests in the background and are determined to work for the benefit of all and for the safety of the corporate institutions. Capital is always a necessity, but it should not be allowed to over-ride its clientele's interest for its own advantage. The real contact between lenders and borrowers must be a co-partnership business transaction. It will bring in all efficient and business elements in every institution, but will restrict the division of profits on a co-partnership basis. Both borrowers and non-borrowers should be brought on a common platform imbued with the idea of a co-partnership business.

If we bring these ideas into practice, the Central Banks should be remodelled so as to get sufficient and responsible individual shareholders who contribute to the share capital without the rights of



borrowing and who will be given only a fixed dividend as maximum. The society share-holders will come in as co-partners, educating themselves in the business side of working and in the disciplinary action to be enforced in regard to institutions which do not keep up their engagements. The time will arrive eventually to eliminate the individual share-holders only when the primary organisations become really able through their representatives to manage efficiently the Central Banking concern. This process has taken place to some extent during the last few years. Many representatives of the primaries did become really efficient, but they have been excluded by the vagaries of election and also as the result of the play of political factions in the country.

(2) It is an oft repeated slogan that Co-operative lending is not based on the security of immoveable property but on character. Hence the Department discouraged the mortgage of immoveable property and encouraged the growth of surety loans. But surety loans are really joint loans and careful investigation should be made in every case whether the principal and surety are both solvent and have each sufficient repaying power. In a large number of cases, no such investigation is made and there is no note on the record about the Panchayatdars who investigated in such cases. Sureties are nominal and in fact they are made to understand that they are mere sureties and that action will be taken against them only after the properties of the principals are brought to sale. It is only in cases where the sureties and principals are made to feel the joint responsibility that surety loans will operate successfully. Moreover, surety loans become unbusinesslike when given for long terms or mid-long terms. Surety loans are not intended to be given for sums above Rs. 100. While I was Assistant Registrar these rules were observed and there was less room for benami transactions and false bonds being put in to cover misappropriated amounts. Definite education should be given in regard to this matter to the Panchayatdars. Encumbrance certificates should be obtained in all cases of mortgages of immoveable property and close scrutiny made about the title and value of the property and the repaying power of the borrower. These were practically dispensed with on the ground that the primaries are run on unlimited liability basis. This view was accepted by the officers of the Department in the districts.

(3) Another characteristic of the movement, one over which it prides itself, is that the work is conducted honorarily. This may be

accepted to some extent in Central Banks, though sitting fees and T. A. are attractions, but in the case of rural institutions this has not operated successfully. Money transactions cannot be successful unless the society has a clerk who will make collections and also guide the panchayat to take disciplinary action. The paraded idea of co-operators being not heartless like money lenders only means business laxity. If audit is important in a business concern, the running of the transactions on business lines requires honest and efficient establishment suitably paid. No doubt the Department allows a certain percentage of the net profit as remuneration for clerical work, but as the profit is calculated only on collected interest, the remuneration on this basis does not offer sufficient inducement for good work in rural societies.

Even if the resources are insufficient, I will not stint in the maintenance of establishment but will increase the rate of interest or get contribution from the central bank. Every clerk in a rural society, who has to maintain accounts and serve as bill collector, should be paid at least Rs. 2 or Rs.  $2\frac{1}{2}$  per mensem for all transactions up to Rs. 2000 and then his salary will get increased with reference to the expansion of transactions. Let the honorary service of Panchayatdars be utilised for securing their local knowledge and influence.

(4) *Co-operative Education* does not exclude banking and business knowledge. Not only Panchayatdars of rural primaries but also the supervision staff, official and non-official, require better education, theoretical and practical.

I note down below some suggestions of mine.

(i) The primary societies may be on limited or on unlimited liability basis, but the unlimited liability should only extend to the assets of the member in the society in the shape of share capital or mortgaged property free of encumbrances and not proportioned to unascertained property value liable to alienation under the sweet will of the members.

(ii) Loans of one year should alone be given, if desirable, on suretyship basis after careful enquiry and for sums not exceeding Rs. 100.

(iii) Longer period loans and larger amount of loan than Rs. 100 should be covered by the pledge of cultivable agricultural land free from previous encumbrances. Disbursement of such loan should be verified by the union supervisor or bank supervisor and the scrutiny in such cases should be made by the union and the central bank.

(iv) The union or bank supervisor should see to it that the panchayat take prompt legal action within 3 months after the due dates.

(v) Short terms loans should be given only for productive purposes, and extension of time should be given only in deserving cases after the approval of the local union and the central bank has been obtained.

(vi) No collections in a primary should be re-lent by it without the consent of the central bank and the local union.

(vii) Arbitration proceedings should be conducted by satisfactory arbitrators appointed by the Deputy Registrar for specified local areas. Such persons should be selected for their character and ability to conduct the proceedings.

(viii) All the existing past debts in rural societies, excepting those for which extensions have been granted, must be scrutinised and decrees obtained for them ; and all irrecoverable cases should be written off the accounts upto the limit of the reserve fund, so as to encourage fresh admissions into the societies.

(ix) In every union, the central bank should have two members on the governing body, where the other members are found not competent to run the union on efficient lines.

(x) The central bank's constitution should be altered so as to base its credit on the paid up share capital of non-borrowing shareholders to the extent of 8 or 10 times and about 4 times on the amount of society's share capital lodged with the central bank, which is really a part of the loan obtained by the societies. If even 4 times the paid up share capital of the societies lodged with the central bank is omitted from the security for calculation of credit of the central bank, I will welcome it.

(xi) The supervisors should be appointed by the central bank and the Deputy Registrar after the capacity of the persons selected is tested or found acceptable by the latter.

(xii) Agricultural loans such as manure, seed, etc., might be usefully made in kind.

(xiii) The dues of members may be recovered in kind where necessary, to be disposed of by the loan and sale society, which should be organised in each taluq on limited liability basis.

## CO-OPERATIVE SOCIETIES AND HOW TO IMPROVE THEM

(xiv) The audit of co-operative primary societies must extend to administration also and the auditors should review their work so as to enable the local union and the central bank to set them right.

(xv) Liquidation of societies should be freely resorted to where the standard of efficiency has got low, especially where there is not proper human material competent to enforce discipline in regard to the recovery of dues.

(xvi) Politics (another name for communalistic favour and hatred) has invaded the movement everywhere and in fact Brahmins have been turned out in every sphere of activity—staff (official and non-official), directorates, and even in lending operations. Pious resolutions or even orders by higher Government officers have no value, as such an intrusion is assiduously fostered by Government officers in charge of District co-operation and their subordinates, who are practically chosen for their capacity in this direction in addition to moderate qualification for regular work for which they are paid. The hatred of Brahmins has not yet permeated the villages in every day life to a very large extent, though directors of central banks and local unions from villages have imbibed them. The Local Boards have absorbed the spirit fully and co-operation has followed suit. This is my general impression of other districts but it is quite accurate in regard to N. Arcot District. I have had some experience of such feeling even among the staff controlling the recent Land Mortgage Bank system in this district. The remedy for this state of affairs is to purify the departmental staff and to put a stop to its interest in such activities.

To the existing troubles participation in the political and economic organisations of the Congress has contributed another source of trouble.

(xvii) Supervision by unions is necessary but (1) local unions should be carefully worked under the care of central banks and the Department. Each taluq must have a Government Inspector who should help the unions in doing their work efficiently.

(2) Self-supervision must be secured by panchayatdars of primaries regulating the work of the paid staff.

(3) Every union must have a competent clerk and an efficient supervisor.

(4) Central banks should exercise the power of the money stick if any primary defies local unions.

(xviii) The credit facilities to primary societies must flow freely and reach the borrower in time and without delay and to the deserved extent. Agricultural industry must be formed and not merely the agriculturist.

(xix) Long term credit can more successfully be dispensed by having a taluq bank on limited liability basis and members in it must be members of rural co-societies wherever there are such societies. It should be confined to pure agriculturists.

(xx) The departmental head should turn the search light upon his own departmental officers and see that they have accurate knowledge of the work, with a zeal and heart for the work. He should make them real philosophers, guides and friends of the movement. Multiplication and statistics, returns and correspondence must be avoided. The Deputy Registrar must get into personal touch with the co-operators in the primaries. Mere visits to local unions at general body meetings which now form the main work are not sufficient. The Deputy Registrar must visit each co-operative society at least once in two years and a weak society once in a year. He should be a real administrator of the co-operative movement in each district. The efficiency and earnestness of the departmental staff is very much below the average and deserves to be improved. Suggestions in detail from non-officials will be perhaps resented.

## II

BY RAO BAHADUR A. RAJABADAR MUDALIAR,

*President, Chingleput District Co-operative Central Bank.*

The present condition of the movement is described aptly by our chief leader, Mr. V. Ramadas Pantulu, in the following words in a speech delivered not long ago at the Y.M.C.A.

“Those who have still faith in the movement say that just at present it is ‘dry docked for repair,’ and will soon be put to sea again, while those who have lost faith in it say it is ‘thrown on the scrap-heap as it has proved to be unseaworthy.’ I belong to the former class. Let us ascertain precisely what is wrong with it to-day. It is best to give it in the words of our informed critics who wish to help us out of our difficulties if they can. No other opinion is worth quoting. The Managing Governor of the Imperial Bank, giving evidence before the Central Banking Enquiry Committee in 1930, said with regard to our credit institutions: ‘The fundamental principle of co-operation is lacking, overdues are highly excessive, audit

is defective and control is inefficient.' This is an impartial condemnation of both the official and non-official wings of the Movement. The Royal Commission on Agriculture, while mentioning all the defects on which the Managing Governor of Imperial Bank laid emphasis, added that the spirit of self-help is not as prominent as it should be if the movement is to be a live force in the village. They have put it mildly for in some cases, 'Self-help' has alas now come to mean 'help yourself with other people's money.' But what does all this mean? It means that the fault lies not with co-operation but with co-operators. Schemes of structural or financial reconstruction of the co-operative movement will therefore bear no fruit until there is a mental and moral reconstruction among the co-operators themselves."

Mr. Pantulu begins in the above words with a hope and ends with a despair. My humble view also is that the movement is not altogether without hope of revival, but that a good deal of constructive work is necessary to place it on a satisfactory basis. Mr. Pantulu has described this work as the 'mental and moral reconstruction among the co-operators themselves.' This on the face of it looks so difficult of achievement that most would despair of success. By 'mental reconstruction' is evidently meant the education and enlightenment of co-operators in the principles and ideals of co-operation. Though this has been always accepted as a most essential need for the successful working of the movement, no arrangements worth mentioning have so far been made to supply this vital need. The Townsend Committee wrote in 1928.

"We have been very much impressed by the lack of knowledge of even the common-places of co-operation shown, not only by the members of primary societies, but also by office-bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement."

Except for the starting of about half a dozen co-operative training institutes in some districts and the opening of a Central School in Madras, all of which have the object of educating and training men for the work of supervisors and departmental Inspectors, nothing to

my knowledge has been done to impart education to the masses interested in co-operation. Even the few institutes have been abolished and in their place two peripatetic institutes, one for the north and the other for the south, have been substituted. We are relieved, however, to find from the Registrar's last annual report that he recognises that 'education and propaganda are the crying needs of the day' and he refers in para 26 of the report to a comprehensive scheme proposed to be launched for co-operative education and training. It is claimed for this scheme that it 'should make departmental and non-official employees thoroughly efficient and render the members of societies as well as the rural folk enlightened in matters relating to the co-operative movement.' The scheme is stated in the report to be under the consideration of Government. Publication of the scheme for the benefit of eliciting the opinion on it of all interested in the welfare of the movement should be helpful in the adoption of a system of education and training which would meet all real needs. It is hoped that in any case the supply of the long felt need of the movement whose importance was stressed over and over by various committees years ago will not be delayed longer.

Next about the moral reconstruction among the co-operators. This is obviously a reform almost impossible to achieve except by a slow and gradual process and by the combined and earnest efforts of both the official and non-official workers in the movement. The comprehensive scheme of education and training contemplated by Government ought, if imparted on suitable lines, to be very helpful in improving the morale of the co-operators in due course of time. But the present situation of the movement, with a large and unchecked increase of selfish, corrupt and dishonest men who have entered it, as deplored by Mr. Ramadas Pantulu and other well-wishers of the movement in their public utterances, demands that an urgent and drastic action is necessary to weed out such persons from the movement and to admit good men into it. It is here that the leaders in co-operation would not make bold to come forward with any definite suggestions. Mr. Sathianadhan has among his other recommendations, in his well-known report, proposed that the Registrar should be empowered, under the Act to remove undesirable persons from the movement. This may be objected to by even genuine well-wishers of the movement as likely to lead to an abuse of such power by the subordinates of the Registrar. But any such possible abuse of the power can surely be guarded against by a rule that the necessary enquiries preliminary to the exercise of the power should be made by

the gazetted officers only, and as proposed by Mr. Sathianadhan any order of removal of a member passed by the Registrar may be made appealable to the Government. A less objectionable method of freeing the movement from the influence of undesirable persons would, in my humble view, be by giving the power to the Registrar to veto the election of any such member to the Governing Body (panchayat) of a primary society or of a Supervising Union. This will ensure the absence in the management of these institutions of men who would be a menace to their progress. If such absolute power of vetoing is considered objectionable by any well-wisher of the movement, a provision can be added that it should be exercised in consultation with the district central institution. The Registrar does already possess this power in the form of superseding a Committee of Management in consultation with the Financing Bank. But this power of supersession alone cannot achieve the much desired object of eliminating the large number of the wrong men who have got into societies all over, as it is obviously inadvisable to supersede the whole committee of management for the purpose of removing any particular member on it. It need not be feared at all that the grant of the power of vetoing such as is above suggested would result actually in a large number of removals of members from the movement. The mere knowledge of the possession of the power by the Registrar would act as a certain check against wrong persons being elected by societies to their governing bodies. As these elections are held every year, the removal of undesirable men from the governing bodies can possibly be effected in the course of a year or two. Under this arrangement the principle of election on democratic basis is not disturbed, but the admission into the managements of societies of men likely to ruin the movement is rightly checked. The policy of the Department hitherto in order to remove an undesirable member has been to liquidate the society altogether. This course is obviously unfair to the other good members of the society and cannot also be resorted to as a practical measure to remove an appreciable number of undesirable men from numerous societies.

There is then the strong demon of politics to be fought. Of the havoc played by it in the past Mr. Austin (Registrar) said in a speech at the Y. M. C. A. some months ago as follows :

“ One of the fundamental principles of Co-operation that was increasingly ignored in this Presidency was that of political neutrality.



Many a society had been totally ruined by the fact that its members had introduced politics in the conduct of its affairs, used their membership for political purposes and forgotten all about co-operation."

Mr. Strathie, his predecessor, speaking in a similar vein considered that the balance of advantage would be in favour of a rule to prohibit members of Local Boards from membership in co-operative institutions. For obvious reasons the suggestion did not fructify as even among politicians there are men who are whole-hearted sympathisers and active supporters of the movement. The proposed power to the Registrar to veto the election of an undesirable member should effectively keep out undesirable politicians from the management of co-operative institutions.

When the managing bodies in the unions are purified in the manner above suggested, the management of the central bank to which representatives are elected from unions will get automatically purified. With regard to the individuals elected to the Board of a central bank, the new model by-law recommended by the Registrar and approved by the Townsend Committee that they should be elected by the general body of the bank, instead of by the individual share-holders as hitherto, may be sufficient protection against the election of wrong men, as the already approved panchayatdars of primary societies and the Governing Body members of unions would largely influence such elections.

Another important need to strengthen the movement is to provide the supervisory agencies with sufficient funds. It is too well known how owing to the very large contraction of the loan business and the difficulties of collection, the funds available for the supervisory agencies are getting curtailed largely, while in order to tackle the ever growing difficulties in all forms we have to increase our establishments and incur increasing charges of administration. It is where that Government help would be most necessary and best deserved. "When the supervision fund collected is not adequate to meet the requirements of supervision in the district," the Townsend Committee wrote, "we consider that supervision ought not to be starved and that Government should make such contribution as is necessary to make up the deficit." Without funds no efficient supervision is possible and Government have to provide what financial help may be indispensably needed.

## CO-OPERATIVE SOCIETIES AND HOW TO IMPROVE THEM

I may next refer to the view entertained by responsible leaders that the present system of recruitment, especially to the gazetted ranks of the Department, should be improved so as to ensure that really competent men possessing adequate administrative capacity and knowledge of men and things are entrusted with the working of the movement in each district. It is too well known that the weal or woe of a district would depend largely on the qualities of the district officer.

I must not omit, before concluding, to submit that more than all rules and regulations for the better working of the movement, the example which each genuine well-wisher of the movement sets by his own personal conduct would be productive of far better results than his mere precepts. Unfortunately for the movement several educated leaders appear to be more responsible than the illiterate masses for the evils noticed in it. The earnest practice by Co-operators of the golden saying 'Example is better than precept' would yield far more satisfactory results than all other measures.

### III

BY MR. K. V. RAGHAVACHARI, B.A., B.L.,

*Director, N. D. C. B. Union, Nellore.*

The proposals made by Mr. Sathianadhan, namely, that the supervision of the unions and societies should be handed over to the officials, cannot be accepted. Such a transfer may not bring about, after all, the desired effect of improving the condition of the societies. Unless the economic condition of the members of societies is improved the societies cannot improve. Generally the members of the co-operative societies now consist of a small percentage of the total borrowing population of the village. They are mostly people who are otherwise unable to get easy credit from the money-lenders in the locality. Men of means dread the society and so do not join it because they are afraid that they may have at least ultimately to pay for the debts not realised from other members. They are afraid to be sureties to others. At least to avoid suretyship, people of means do not wish to join the co-operative society. Even honest borrowers find themselves unable to keep to their engagements. The income from agricultural produce is precarious. There is no certainty of a good crop every year. Mr. Sathianadhan himself in his report says that on an average out of every five years, one is good, one bad and

the other three are indifferent years. That being the case, the borrower can pay in full only in the year of good harvest and his repaying capacity must diminish during the other four years. In addition to his debt thus accumulating, he has to borrow these four years something to maintain himself and carry on his agricultural operations. That means he becomes indebted again. Thus unless the income from land is assured every year, the debt must go on increasing. The greatest calamity that can happen to an agriculturist are famine and the loss of the bull used for agricultural operations. This loss tells heavily on him and he becomes all the more indebted if he is to buy another animal. To help him to get over this calamity, there must be the system of insuring his cattle. Insurance of cattle and assurance of yearly good crop are the only means that can save the village cultivator, and any amount of good supervision or good management of societies can never improve the societies so as to bring economic relief to the ryot. I am very doubtful if co-operative societies have been of any good help to the villagers. It has become another money-lender. Beyond that, no other purpose has been served. Now-a-days no money is lent unless the borrower possesses property. No doubt a man without property may get a loan if a surety could be procured. Then again this surety must have property to enable the society to grant a loan. Thus honesty and character are not enough to procure credit from a co-operative society. After all, how are honesty and character going to help the man if his lands disappoint him? He naturally becomes unable to pay his dues in time and so his credit must fail. However well intentioned, honest and sincere a borrower be, he finds it difficult to keep to his promise and pay his dues in time owing to adverse seasons. Unless he is in a position to stem the tide of adverse seasons, he becomes a confirmed defaulter of his dues and he loses credit with the necessary consequence of losing the little property he may possess.

Para 74 of Mr. Sathinathan's report condemns the dual control exercised by the officials in the matter of organisation, audit, arbitration and liquidation and the non-official control in the matter of supervision of the affairs of the society by local unions. Dual control no doubt tends to weaken the societies. The remedy suggested in the report is the transfer tentatively of the supervision also to the officials. This is a retrograde step as the report itself admits. All institutions brought into being for the sake of helping the people must be worked, managed and

controlled by the people themselves. Democratisation must be the aim and towards that end all efforts should be directed. To attain this desired effect, the control which the officials are now exercising should be transferred to the non-officials. It is generally admitted that unions are bad everywhere. One cannot but admit the truth of this statement. In fact it has been openly acknowledged both by the officials and the non-officials. The reasons which are given in the report for such a state of affairs may be granted to be true. The only way to improve matters is to abolish all unions. The aims and objects with which these unions were first started, have not been fulfilled. On the other hand, unions have become parasites living at the expense of the village borrower. About 1 per cent out of the interest paid by him is given to the unions. If the unions had not been in existence, this one per cent could well have gone in reduction of interest which the ultimate borrower now pays. The question may be asked who is to take care of the societies if the union and official control are taken away. The institution most interested in the welfare of a village society is the Bank which finances it. The Bank should provide for the proper supervision of the societies. The Bank should employ a body of Inspectors and Supervisors whose duty it should be to do all the work which is done now by the unions and officials. The work of audit and liquidation alone may be the work of the Departmental officials. They should go about in the villages doing propaganda work. Were not Registrars in the early days of the Co-operative Movement going about, mixing freely with people and preaching to the people the principles of co-operation? Do they do it now? If not, why not? We have now people, with little or no experience or knowledge of co-operative ideals drafted into the service and very often they start with certain prejudices which get confirmed owing to their want of experience and sympathy. They have heavy office and routine work, which takes up most of their time leaving no time to be devoted for propaganda work to spread co-operative ideals. The Banks as financiers of the societies should have power to supervise the societies, set them on right lines and control them with necessary guidance and advice. They should have the whole supervising staff under their direct control and their work should not be interfered with by any outside agency. The question as to who should form the directorate of the Bank if unions are abolished can easily be solved by having a fixed number of directors for each Revenue taluk having regard to the number of societies therein.

There may be one director for every 30 societies or something like it. Care should be taken to get as directors representatives of societies which are not in arrears to the Bank, and the individual selected should not be in arrears to the society in which he is a member. The directors so chosen should form the majority. Directors from individual share-holders and also a fixed number from among the depositors also may be chosen. There may be six or seven directors from the individual share-holders holding a particular number of shares and also about an equal number from the people who hold deposits of more than a particular amount and for a particular period. These and similar details may easily be settled provided the principle of the abolition of the unions in-toto is accepted. The present crisis in the working of the societies can thus be got over.

There is no use of having the co-operative movement in its present form. It should be thoroughly overhauled. The lending rate to the ultimate borrower should be reduced to at least six per cent. The property of the member should be mortgaged to the society at the outset. The borrowing power of a member should be fixed with regard to his property. The member must be given loans as and when he wants, subject to the maximum borrowing power. His mortgage should be a continuing mortgage for the amount of the maximum borrowing power. This system of continuing mortgage sets at rest the difficulty of security for the money lent. To improve his ways of thrift, the supervising authority should check the abuse of money by the member. He should be given money only for necessary and productive undertakings, making a decent margin for monies required for unforeseen contingencies.

Steps should be taken to improve the economic condition of the members. To achieve this, the help of Co-operative Department, the Agricultural Department and the Industries Department should freely come in. In every village the Agricultural Department should open a depot where improved implements, seeds and such like can be easily had. If possible they should be supplied to members of co-operative societies on credit and the society should be held responsible for its collection. The Industries Department should come with its suggestions as to sinking of wells and baling of water in an easy and cheap manner. For this purpose, their services should be done by co-operative action. The necessary finance should be supplied by the Bank at even a favourable rate for such agricultural and

industrial improvements. The Agricultural Department should visit each village and preach the methods of improving the agricultural income. Similarly the other development departments should do such propaganda work.

The difficulty of collections of loans should be solved. The insistence on the borrower to pay in coin has brought the societies to the stage in which we find them now. Recovery of dues must be generally in the shape of kind. The borrower should find it always easy to repay his dues, in the shape of the produce of his lands. Steps should be taken to improve matters on these lines. The Co-operative and Agricultural Departments should be able to open marketing centres, storage godowns and such other facilities to dispose of produce thus collected from members.

The members would then not be at pains to find market or purchasers for their produce. The difficulties of grading of produce etc., should be overcome by proper advice from experts in the Departments. It would be possible to insist on all the borrowers to use such seed and adopt such methods as would result in the production of the same quality of produce in a given area. To give an illustration; every borrower in a delta area may be supplied with the best seed of paddy in the right season by the Agricultural Department. The agriculturist may be made to realise that by adopting such a course his productive capacity will increase. If the whole lot of people in that area produce the same quality of grain, marketing will be easy and the sale of it also easy. The cultivator may be given what he needs for his seed, for his manure and for his other agricultural operations from time to time. His produce may be collected, stored and sold at the best market. In all these things the Government must help the ryots at all stages. If some such system as I have indicated, is adopted, the ryot will be really benefitted, he may be weaned away from his indebtedness after sometime and all the difficulties that now attend the process of collection of dues or overdues will disappear in course of time.

It is already felt that in the Co-operative Department there is a large amount of unnecessary official control. This is resented by many self-respecting people. It may be said that this is one of the reasons why many shun the societies. Owing to the absence of really sincere and honest people in the management of societies, owing to the frauds, forgeries and embezzlements in the societies, the present control by the Government in an increasing manner has

been brought about. No doubt it is an unhappy state of affairs that there should have been such malpractices and maladministration in the societies. It is all due to unscrupulous persons utilizing for themselves money which they were not entitled to touch—money which ought to have gone to help their brother-members. Such persons must be mercilessly prosecuted in the larger interests of the movement itself. It does not matter that the number of societies dwindles on account of such action. It is far better that there are fewer societies which are working well and for the benefit of the members. If the society will not serve its poorer members, its existence shall be in vain and nobody will be justified in helping it.

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## **An Experiment in Industrial Co-operation.**

BY MR. MOHAMMED HUZUR ALAM,

*Leather Inspector, Co-operative Department, U. P.*

Co-operation, as it is generally known in India, is of the credit type. Societies are usually formed with the main purpose of arranging loans for the members. There are also organizations for helping the members towards better living or for providing facilities in their sales and purchases. But 'industrial co-operation', which by means of co-operative methods during the various operations, might reduce the cost of production and secure better profits for the workers, is rarely found in this country.

It might be interesting and instructive to note a few details in respect of an experiment of these methods which was recently made with the tanners of Amroha, in the district of Moradabad. A co-operative society was registered in January, 1935, primarily with 12 members, though the number gradually increased to 22. A sum of Rs. 200 was advanced by the Co-operative Department, as a loan without interest, for the construction of the building. Working capital was arranged from the Co-operative Bank, Moradabad, and in view of the poor condition of the members, who possess very little in the shape of landed property, their 'maximum credit' could not be fixed beyond Rs. 1,000 for the first year of their working.

The system of work was that the members were advanced loans separately. They purchased hides locally as well as in the neighbouring villages by combining in groups, though on individual accounts. Tanning operations were carried on jointly with the material purchased in large quantities and re-sold to the members. The whole stock was kept under the care of the society and thus it served as a security for the investment of the bank.

Ultimately, when the goods were 'finished', they were sold in proper markets on the individual accounts of the members but in combined lots of sufficient magnitude. The profits, after paying of the loan, interest, as well as, the price of the materials, were kept by the members concerned, and a small contribution, fixed according to the number of hides treated by each member, was made towards the common 'tannery fund'.



By working on this system the constituent members have obtained cheap credit due to joint responsibility, better sales and purchases, and economised consumption of tanning materials caused by joint production. They have further benefitted by adopting the right line of manufacture and introducing such improvements in their technical processes as would suit their peculiar needs, besides approaching profitable markets for their transactions. All these co-operative activities have been carried on, while the members' individual interest has been retained in the work which is indeed so very necessary for stimulating their active participation.

The annual returns show that, inspite of cautious and restricted production, needed for a new venture of this type, the total output amounted approximately to Rs. 3,000 and the members' individual profits, according to their own calculations, were Rs. 365, though actually they must have been in the neighbourhood of Rs. 500. Contribution to the 'tannery fund' was Rs. 145 and net profit to the society amounted to Rs. 114. These figures, together with the fact that the investment is reasonably secure, go to prove that if industrial societies are organized for productive purposes, they should run profitably and successfully.

The indigenous tanning industry, which gives employment to about a lakh of men in the United Provinces alone, is in a bad state and, like any other cottage industry, it can be stabilized only by the introduction of 'co-operative' methods. It is time that efforts should be made to organize it on proper lines.

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## Co-operation in Orissa.

BY MR. A. SURYA NARAYANA MURTHI.

In the newly created province of Orissa, the portions that go from Madras are very considerable. A major portion of the Ganjam District, and the whole estate of Jaipur have been included in it. Therefore it behoves your readers to know what is the position of the co-operative movement in the new Province.

*Provincial Bank.* The societies in the area are being financed by the Provincial Bank at Patna. There are proposals now for the organisation of a Provincial Bank in Orissa. The main features of the scheme follow the Bombay model. The province will have a central institution at Cuttack with branches at several district towns. The affiliatory type which obtains in Madras is not favoured. Another feature of the scheme is that the President of the Bank will be the Registrar. Protests are being made against this proposal. But the authorities seem to attach no particular weight to them. The proposed Bank will also supervise societies. But it is not known what will be the arrangement for the regular supervision of societies as is done by the Unions in Madras.

*Central Banks.* There were 13 central banks before, and now they will be 15. The average number of societies per central bank is about 130. With such a limited number the overhead charges are very heavy.

*Primary Societies.* Almost all the societies are rural societies on the unlimited liability basis. Urban Co-operation is practically non-existent. It will be surprising that in a town like Cuttack there is no Urban Bank, such as we find in almost all important places in the Madras Presidency. Efforts are being made to organise one such institution. There are no Store Societies, nor any of the special types of co-operative enterprise.

*Long and Short term Finance.* Generally speaking, the distinction that we draw in long and short term finance is not known. The banking principles that ought to be applied to finance are absent. There is no Land Mortgage Corporation. In the Hubback Committee Report it is recommended that one might be started. But the nature of land tenures will offer one difficulty. A large portion of the lands are under the permanently or temporarily settled

estates. In fact, Ryotwari tenancy is not much to be found. And the tenure under the Orissa Tenancy Act is not governed by the basic conceptions that have been legalised in the decisions of the Madras High Court. Restricted right of transfer, subject to the consent of the Zamindar, and subject to a payment of Salami, operate as a hindrance to the establishment of a land mortgage corporation. The most surprising fact is that though the operation of the Tenancy Law is restricted to rural agricultural holdings, even in Municipal areas, the transfer of house sites on Zamindary land is subject to the same restrictions, though the intention of the Legislature was definitely contrary to such an interpretation.

*Interest.* The most painful portion in the co-operative system of Orissa is the rate of interest. The maximum rate is 15 per cent. and the minimum is about 10 per cent. The result of this is that the whole rural population for whom are intended the benefits of co-operative finance, has been driven to a state of perpetual insolvency. When the agricultural industry is to be financed at a rate higher, and in Orissa, far higher than it can bear, the result will be a hopeless irremediable poverty. The situation in Orissa requires very careful handling, and so far as Madras areas are concerned they stand to lose, and not to gain by the Movement as at present constituted.

## Recent Utterances.

Under the auspices of the Madras Economic Association, Rao Bahadur C. Gopala Menon delivered a lecture recently at the Senate House on 'the Principles of Mortgage Banking,' with Dr. P. J. Thomas in the chair.

In the course of his lecture Mr. Menon said :—

*The purpose for which Land Mortgage Banks are started is to make capital flow into agriculture so that the agriculturist may borrow at the cheapest possible rate the largest amount of money which he needs for his purpose.* At present the agriculturist borrows money at 9 to 12 per cent, even at higher rates of interest, and, further, he borrows more money than he can use at a profit. After harvesting he is forced to sell his produce immediately.

### *In Europe.*

It is to provide a remedy for this sort of trouble to agriculturists that Land Mortgage Banks have been started all over the world. Countries in Europe first devised the mortgage credit system and the money required for the agriculturist is raised by agricultural mortgage bond credit. *Mortgage bonds in Europe, with the exception of Holland, can only be issued by privileged institutions or, as in Hungary, by institutions maintaining certain prescribed standards.* One of these institutions *Schlesische Landschaft* was started in Prussia during the time of Frederick the Great in 1769. The *Landschaft* is an association of land owners belonging to the nobility for issuing bonds based on mortgages on the property of individual members, with some sort of guarantee of the association. Subsequently the entire credit of the *Landschaft* was borne by the institution itself, thus permitting the creation of a marketable security of the bonds issued. After 1850 *Neue Landschaften* were founded on the basis of voluntary membership, without regard to social status, and small farmers were also allowed to become members. Here the joint liability of members was replaced by limited liability of reserve funds.

In the middle of the 19th century the Polish economist and banker, Louis Francois Wolouski was requested by French agriculturists to start a Land Credit Bank. In France, he proposed the starting of a bank based on the Prussian model but without the co-operative implication of the *Landschaft*. On his suggestion the *Credit Foncier*, a Joint-Stock Company, was organised in Paris in 1852. Here it was necessary to finance the heavily indebted French farmers at cheap rates. Thus the German system of co-operative land banks came to France *via* Poland and was planned in the form of 'capitalistic' mortgage bank, which system was later on introduced in Germany itself. Since 1862, Germany

founded a number of privately owned land banks with Governmental supervision. All over Europe, private mortgage banking with quasi-Governmental management has been developed, chiefly on the German pattern.

England in 1929 introduced an institution of this type. Switzerland has, since 1931, super-imposed legal regulations on the unrestricted mortgage banking, which was working there for a long-time. Holland is the only country to-day left without legal regulation of mortgage banking.

In some of the eastern European countries, Governments create and subsidize mortgage banks where commercial or co-operative capital is wanting. The Land Mortgage Banks of Warsaw and Bulgaria are of this type. In pre-war Austria, the monarchy patronised a variety of institutions which issued bonds not only on mortgage basis but on all sorts of "pledges" and the present day Austrian banks are all of this type. In middle and eastern Europe the Governments of those countries came to the rescue of farmers, both by Government subsidy and guarantees for bond issues. But the principle involved is that the issue of bonds by these mortgage banks is always backed up by a volume of mortgaged claims. In the Dutch, in Belgian and Swiss banks, the total assets of these institutions and not mortgages alone formed the securities. In such cases the bond-holder does not get the first mortgage on certain specific assets.

Mortgage financing is thus in most countries entirely controlled by Mortgage Banking regulations and deposit banking institutions do not enter this type of business. In fact mortgage banking is entirely kept separate from deposit banking. The principle is to keep commercial banking out of the field of mortgage banking business; in other words, to keep the debtor free from the dangers involved in the use of short-term deposits for long-run investment, and to supply the funds needed by attracting the savings of the public rather than the resources of deposit banks.

Why the two kinds of banking should be separated is explained by the reason that in mortgage banking there should be an equality of bond issue and of mortgage credit volume. This is a fundamental principle and Governments see that the mortgage institutions are keeping to this rule. Legislation almost everywhere prescribes a 'minimum guarantee capital' as a margin to protect the interests of the investor and also to safeguard against undue credit expansion. In Germany, where these banks are working on a sound basis, the volume of mortgage bonds cannot exceed twenty times the amount of capital and the life-time of bonds issued has to be identical with that of the underlying mortgage.

## RECENT UTTERANCES

Coming to the question of guarantee of the credit, it must be based rather on the underlying mortgage than on additional security. It is necessary to see that a sound ratio between assessed value of the property and the credit granted on it must be worked out. Consequently, the required credit margin on agricultural property must be higher than on gilt-edged securities and produce. Mortgage credit is a question of security of title, of valuation and of the power of recovery—it is not possible to divide responsibility.

In all countries farm mortgage credit is granted through co-operative and governmental institutions. In Great Britain, since the Farm Recovery Act of 1928, credit to farmers is largely subsidised by the Bank of England. Government control over the mortgage banks gave these institutions a certain amount of safety and prestige. It is a safeguard against fraud or falsification by Governmental audit, it is separated from commercial banking and assures the safety of the bondholder. It helps to create sound standards of credit and marketing policy.

The Agricultural Mortgage Corporation was started in 1929 in England for the purpose of making loans on mortgages of agricultural land, and under the Improvement of Lands Acts. The Treasury is empowered to under-write the debentures issued by the Company to the tune of £5 million. The Treasury itself may subscribe one-fourth of each issue, and it is worthy of note that the debentures issued to the public are Trustee securities.

### *In India.*

One word regarding the issue of mortgage bonds. As far as the Madras Co-operative Land Mortgage Bank is concerned the institution has all along been able to sell its debentures over the counter—nearly 60 to 70 lakhs. It looks as though all resources have been tapped by private negotiation and it is found necessary now to put these debentures on the Stock Exchanges. Whatever may be the method adopted, the chances of success under the market conditions is better for large issues than small ones.

It is about 32 years since the Co-operative Movement was introduced in the Presidency for the purpose of redeeming agriculturists from their indebtedness. Until Land Mortgage Banks were started, short term credits only were given by the co-operative credit societies. This sort of credit system did not relieve the ryots of their troubles. Experience showed what is needed for agricultural indebtedness is cheap and long-term credit, cheap in respect of interest as compared with the ordinary rate paid to money-lenders in the market, and long-term in the sense that loans should be repayable in easy instalments spread over a number of years.

When the Townsend Committee carried out their inquiry in 1927-28, only about ten primary banks were working. The Committee came to the conclusion that unless a Central Land Mortgage Bank were started to finance the operations of the primary banks by raising funds through the flotation of debentures on the mortgages transferred to it by the primary banks it would not be possible to relieve these people of their troubles. Membership of the Central Bank is open to individuals as well as to Primary Land Mortgage Banks. The bye-laws of the Central Land Mortgage Bank provide for adequate representation for both on the Board of Directors. Under the bye-laws the Central Land Mortgage Bank and the Primary Banks work under a Board of Directors.

The primary bank's duty is to investigate the title of lands, income and the repaying capacity of the borrowers. The Central Land Mortgage Bank generally grants loan only up to 40 to 50 per cent, of the market value of the land. The principle adopted in granting loans on the mortgage of land is that the net income from mortgage lands is at least equal to the equated instalment to be collected on the loan advanced. Say, for a loan of Rs. 1,000 the property mortgaged should at least yield Rs. 91 per annum, that is, the total income must be Rs. 200 or over. It is thus apparent that the security to the Central Land Mortgage Bank for the loan granted is quite ample. Stamp duty is not levied for registration, etc. Debentures issued by the Central Land Mortgage Bank—both principal and interest—are guaranteed by the Government of Madras.

The primary banks have to take one share of Rs. 100 in the Central Land Mortgage Bank for every Rs. 5,000 borrowed from the Bank. The Bye-laws provide that out of the net profits, 25 per cent, is to be carried on annually to the Reserve Fund and that the maximum rate of dividend payable is 7 per cent. The balance of net profit may be allotted to all or any of the following purposes, viz., (1) Dividend equalisation fund, (2) Common good fund, (3) Propaganda fund and (4) Building fund. You will, therefore, observe that the facilities granted by Government, the privileges enjoyed under the Co-operative Credit Societies Act and the close scrutiny of its work by the Government afford ample safeguards for the investing public in its debentures.

The main source from which the Central Land Mortgage Bank gets its funds for making loans to the banks and through them to the agriculturists is by the issue of debentures. The Registrar of Co-operative Societies is the Trustee for the Debenture holders. Under the scheme as embodied in the Trust Deed and the Madras Land Mortgage Banks Act, debentures can be issued only to the extent of the mortgages paid for by the Bank. As security for these debentures, it has been provided in the Act that mortgages assigned to the Central Mortgage Bank at once vest in the Trustee.

## RECENT UTTERANCES

The maximum amount of loan that is generally sanctioned to a borrower is Rs. 5,000 and the unit for the jurisdiction of a Primary Bank is generally a revenue taluq and the lending rate through primary bank is 6 per cent.

It is stated in certain quarters that the Central Bank has refused loans without giving adequate reasons.\* The Committee rejects applications only if the repaying capacity is found insufficient and the title is defective. Mortgage credit is a question of the security of title, of valuation and the recovery of the annuity on due date. Unless these conditions are complied with, the bonds will not rank as a first class security in the market. They must be made popular and easily marketable too. Land Mortgage Banks are established to rescue the ryot from the money-lender. This object will be frustrated if banks are handicapped in their operations by delay and defects.

In conclusion. Mr. Gopala Menon said :

"I do not say that mortgage banking by itself is going to put agriculture on its own feet. Nothing but better prices for our produce can do it. Success of this sort of banking depends on the agriculturists using wisely the credit allowed to them and in the proper employment of that credit. Agriculture is our main industry. Therefore, let us do our best in the administration of Land Mortgage Banks to give them every possible chance of success."

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## Co-operation in Legislative Council

11-3-36

### *Activities of the Provincial Weavers' Co-operative Society.*

891 Q.—Mr. K. A. Nachiyappa Gounder: Will the Hon. the Minister for Public Works be pleased to state—

(a) what tangible work the Provincial Weavers' Co-operative Society was able to do so far in each district;

(b) whether they have been made aware of the acute distressed condition of the weavers in Salem district and, if so, what special attention has been paid to their causes;

(c) how many branch societies have so far been started in each of the districts;

(d) when and in which of the places such societies have been started and what work each of such societies has turned out;

(e) whether any special officer or officers have been appointed to organise and work these institutions successfully; and

(f) what the amount allotted for these activities for this year and the coming year is and in what way it is, or is proposed to be, spent?

A.—(a) The Hon. Member is referred to the answer given to clause (a) of his question No. 598. Further information is furnished below:—

The society has allotted shares to the extent of Rs. 19,250. The Presidency has been divided into seven circles and a Supervisor of production societies has been appointed for each circle. The Board of Directors have sanctioned subsidies to twenty-five existing societies ranging from Rs. 10 to Rs. 45 on the recommendation of Deputy Registrars of co-operative societies and supervisors. The Board has also decided that new societies should be formed at ten places before 31st March 1936. The Executive Committee of the Society has selected the mills from which yarn may be supplied to the societies, the necessary guarantee to the mills having been given by the Provincial Society. Societies are being supplied with mill yarn. Efforts are being made to organise two new societies for the production of Madras handkerchiefs and lunges. The society arranged an exhibition of the goods of the rural societies at the Park Fair in December 1935 to popularise the goods as well as to advertise the starting of the Provincial Society itself. Goods to the extent of Rs. 900 were sold. A cloth designer has been advertised for to prepare proper patterns which are likely to be popular in the market. The Provincial Society is proposing to start calendering and

## CO-OPERATION IN LEGISLATIVE COUNCIL

finishing centres in at least two places in the Presidency in the course of the present financial year.

(b) The Marketing Officer of the Provincial Society visited Salem and had a discussion with the officers of the Salem Weavers' Society and the merchants. The present distressed condition of the weavers in the Salem district is, it is stated, due mainly to the influx of cheap Japanese grey cloth and, to a certain extent, to seasonal conditions. The Marketing Officer selected samples of mill cloth sold in Madras and placed them before the Salem Weavers' Society and some merchants with a view to the manufacture of similar cloths on handlooms. A sample saree produced by the Salem Weavers' Society has since been received and the market is being tested with it.

(c) & (d). Twelve societies have been registered as production societies and 19 affiliated. It is not possible to detail the work done by them in answer to a question.

(e) Seven supervisors of production societies have been appointed by the society for the purpose. No Special Officer has been appointed by Government.

(f) The amount allotted for the current year is Rs. 59,500. The Government of India have not yet allotted the grant for 1936-37. The amounts will be spent mainly in accordance with the scheme sanctioned in G. O. No. 368, Development, dated 8th March 1935, a copy of which has been placed in the Legislative Council Library subject to slight modifications.

## Progress of Co-operation.

### I. HYDERABAD STATE.

During the year 7th July 1933 to 6th July 1934, the number of new societies registered was 219 as compared with 134 in the previous year and the number of societies cancelled was 34 with the result there were 2,739 societies at the end of the year compared with 2,554 in its beginning. Of these, apart from the Dominion or apex Bank and the Co-operative Union, 39 were central banks, 2,272 village credit societies, 400 non-agricultural societies and 26 societies in the British Administered Areas. The total membership increased from 75,596 to 83,010 and the working capital from about Rs. 231 lakhs to about Rs. 240 lakhs.

The working capital of the 26 societies in the British administered areas was Rs. 9.16 lakhs. That of the societies in the State proper was therefore about Rs. 231 lakhs. Out of the latter, the share capital amounted to about Rs. 51 lakhs, the reserve fund to about Rs. 39 lakhs, deposits to about Rs. 67 lakhs, loans from non-Government sources to less than Rs. 70 lakhs and loans from Government to Rs. 3.82 lakhs. The proportion of owned capital was thus fairly high.

The Co-operative Union had 117 individual and 1177 society members. Its functions were education, propaganda and supervision. It conducted a training class at Hyderabad and another for supervisors at Gulbarga. Its 7 propagandists conducted training classes in 58 villages which were attended by about 400 panchayatdars and members, of whom 200 were given certificates for passing the examinations held at the end of the training. The Union held its annual Congress, which was presided over by Nawab Sir Hydar Nawaz Jung Bahadur, Finance Member, a district conference and several "rallies" in rural areas, which were largely attended by members of village societies and officers of various departments and at which dividends and prizes were distributed among members of good societies. The propagandists of the Union delivered magic lantern lectures on co-operation and allied subjects in about 150 villages. The Union continued to publish a quarterly journal in Urdu. For supervision it had a field staff of 81 supervisors each of whom was in charge of a circle of 20 to 30 societies.

The Dominion Bank had a working capital of Rs. 44.46 lakhs of which about Rs. 11.5 lakhs was owned capital. The loans issued by it to societies and central banks during the year amounted to Rs. 3.88 lakhs, the total outstandings being nearly Rs. 24 lakhs. Its investments in Government securities amounted to nearly Rs. 17 lakhs.

The working capital of the 39 central banks was about Rs. 65.4 lakhs of which nearly Rs. 19 lakhs was owned. Compared with the previous

year, there was a considerable fall in the collection of interest and a rise in that of principal, owing to the fact that in the case of several societies which were financially unsound, the amounts repaid by them were credited on the advice of the department in the first place to their principal account, in accordance with orthodox banking principles. Complaint is made that the machinery responsible for the execution of awards was not sufficiently alert and helpful.

The agricultural societies advanced Rs. 2.46 lakhs to their members during the year and collected Rs. 4.75 lakhs under principal and Rs. 6.37 lakhs under interest. The outstandings were Rs. 61.70 lakhs under principal and Rs. 29.74 lakhs under interest. The proportion of overdue is not stated but it is presumably as high as in the rest of the country.

The most important among the non-agricultural societies were the salary earners' societies. These accounted for 227 out of 400 non-agricultural societies of all kinds, and in respect of membership and transactions formed even a higher proportion. They are presumably for the benefit of Government servants. The report does not say to what extent there is duplication of membership and whether these societies have resulted in the growth of thrift or extravagance among their members. There were 29 urban banks of which 17 were organised during the year under report. Their total membership was only 2,380 and their working capital only Rs. 2.12 lakhs which shows that they are still in a rudimentary stage. There were 72 weavers' societies with a membership of 1,700. The amount advanced to them by the societies was Rs. 4,477 as against Rs. 1,338 in the previous year, and the amount collected was Rs. 29,157. The attention of the Department is being rightly directed more and more to the organisation of societies for the sale of agricultural produce, especially cotton. Good work is reported of the Implement sale society, Parbhani.

Decrees and awards are said to be pending execution with the revenue authorities for inordinately long periods—in some cases for seven or eight years. This delay has led to a considerable deterioration of societies especially in what are known as the Paigah areas. The only remedy for this appears to be the appointment of special staff under the control of the Registrar for executing decrees, as has been done in Madras.

If the 26 societies in the British administered areas, the State Railway Employees' co-operative credit society accounted for about two-thirds of their membership and transactions. With a view to encourage thrift among its members, it has introduced a scheme of monthly deposits which is said to be proving attractive. The other important societies in the area are the Prudential co-operative credit

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society and the Police co-operative society. Though there are 8 housing societies, only two are said to be active and their working capital is comparatively small.

The State is rather conspicuous for the absence of non-credit forms of co-operation and for the poor development of urban co-operation.

### II. BIHAR AND ORISSA.

The year 1934 will go down in the history of the province as the year of the earthquake. The ravages caused by it increased the difficulties of the economic depression from which the members of societies had been suffering for some years past. Seventy-seven societies were registered during the year and the total number of working societies was thus 8,882 as against 8,901 of 1933-34. Societies did not have the necessary funds for adequately financing even their honest and non-defaulting members. If the movement is to be saved from stagnation, adequate fresh finance must be arranged for. Non-credit and rural welfare societies are to be organized on a large scale.

The Provincial Co-operative Bank completed the twenty-first year of its existence. Its working capital was Rs. 96.70 lakhs, and the paid up share capital Rs. 6.11 lakhs. Loans to the extent of Rs. 3.58 lakhs were made to central banks and societies and loans due from them amounted to Rs. 59.16 lakhs. The reserve fund stood at Rs. 5.97 lakhs. The total deposits from members and non-members amounted to Rs. 78.03 lakhs. There was a big fall in the total amount of loans given during the year from Rs. 12.67 lakhs in 1933 to Rs. 3.58 lakhs in 1934. An interest of 6 per cent on loans for one or two years and 7 per cent for three or more was charged. The Registrar considers the margin too high and hopes to take steps to reduce it. To strengthen the Bank's long term resources, two loans, one of Rs. 16 lakhs for 15 years and another of Rs. 4 lakhs for 4 years both at 4 per cent interest were sanctioned by the Government and drawn during the year.

The number of central banks remained at 66 as before. Their working capital stood at Rs. 224.7 lakhs, share capital Rs. 22.03 lakhs. As a measure of economy their directorates are being made smaller. There was a lady director in one of the central banks—the one at Cuttack. The total reserves including bad debt and other funds stood at Rs. 18.12 lakhs. The percentage of collection of principal and interest works out to 1.08 as against 13.3 for the previous year. This low collection is partly attributable to the damage caused by the earthquake. But the collection will not be satisfactory unless the movement is put in possession of adequate long term capital at a moderate rate of interest to enable the instalments of loans to members being spread over a sufficient number of years on the basis of repaying capacity.

## PROGRESS OF CO-OPERATION

A feature of the central banks in the province was their active direction of welfare work in the villages. Medicines during cholera and other epidemics were freely distributed, village roads were cleaned and repaired, wells were disinfected and cattle were inoculated. Homeopathic medicines were distributed free, wells were sunk and tanks excavated. Among cottage industries, eri-culture and eri-spinning continued to be popular. For education the total amount allocated was Rs. 2,775 as against Rs. 4,079 in the preceding year. Thirty two new schools and patasalas were started during the year and the total number was 151. District Board grants amounted to Rs. 4,094. Spread of literacy continued to engage the attention of the banks and about 40 night classes were started, majority of them in Orissa.

Rural reconstruction was carried on in various centres under development officers appointed for the purpose. The Registrar has submitted to the Government a five year scheme for opening five rural centres by way of experiment in the five divisions of the province at a total cost of Rs. 7,000 annually. The scheme has been administratively approved but is now awaiting allotment of funds.

Among weavers' societies, the Bihar Weaver's Co-operative Society Ltd., was the most important. Its membership was 53 and it earned a profit of Rs. 4,692 on a working capital of Rs. 5,026. Its goods worth Rs. 31,296 mostly purdahs were exported to foreign countries through the Cottage Industries Institute, Gulzarbagh. A five year scheme for the development of the handloom industry has been improvised by the Government of India and has been put into operation since the close of the year.

The Bihar and Orissa Co-operative Federation, Ltd., continued to its useful work of supervision and control but like other institutions it also was affected by the earthquake. The contributions from members were in arrears and in spite of the Government subsidy of Rs. 66,637, the Federation had a deficit in expenditure to the extent of Rs. 54,561 which was met by overdraft from the provincial co-operative bank. It maintained 87 auditors besides a number of probationers. The development staff consisted of 5 propaganda officers. "The Bihar and Orissa Co-operative Journal" and the Hindi Magazine "Sahyog" continued to be published. The training institutes at Durgaprasad, Cuttack and the rural welfare one at Silout functioned satisfactorily.

## Reviews.

CO-OPERATION IN SIND: By Mr. N. M. A. Siddiki, B.A. (Hons). Published by Mr. D. N. Abbichandani, B.A., BAR-AT-LAW, Honorary Joint-secretary, Sind Co-operative Institute. Price Rs. 1-8-0 paper bound; and Rs. 2 cloth bound.

This small book on co-operation is written by one who is occupying the responsible position of Deputy Registrar in Sind. The author seeks to point out the stage that the co-operative movement has reached in Sind. It is also his object in writing this book that the defects of the movement should be understood and that suitable remedies be adopted. The author also feels the need for answering a section of critics who go on arguing that the movement should be considered a failure.

In addition to the short foreword by Mr. S. N. Bhutto, Ex-minister for Local Self-Government, Bombay, the book contains twelve chapters of eighty pages. It has been written to indicate the scope of the movement in Sind and it is a matter for great satisfaction that a responsible officer should choose to leave the official shell for a moment and give the benefit of his knowledge and experience to persons interested in co-operation. The book should not be regarded as a general treatise on co-operation paying attention to the several fundamental principles of the co-operative movement. The official tone is too much in evidence in certain places and one may feel that there is undue publicity or reference to speeches and circulars of official origin.

One or two points emerge clearly on a perusal of this book. The author is aware of the existing serious defects in the co-operative movement but is optimistic enough to hope that the movement has got a great future. The defects pointed out, such as slow recoveries and mismanagement of societies, are countrywide and it is significant that the author should have emphasised the need for sound co-operative education and publicity so as to educate the public. The two chapters on Radio broadcasting scheme and the Cinema propaganda scheme are interesting and contain practical suggestions and details regarding co-operative education. Opinion may differ as regards the degree of success of such schemes and much will depend upon the qualifications and capacity of the persons deputed to the work of giving talks. The idea that the co-operative societies should be associated with such a scheme of publicity is a practical one and other departments may have to gain substantially by such publicity. It is for the proposed co-operative uplift association to take a comprehensive view and see that the scheme should not only place the co-operative movement on a stable basis but

## REVIEWS

also play a prominent part in village reconstruction. The Departmental meeting scheme proposed by the author is another form of publicity work and detailed suggestions regarding the convening of meetings and the nature of talks are given. We do not know the conditions in Sind, but we doubt very much whether this method is likely to prove useful in South India. There is repeated reference to officers and their work in this scheme, and in a co-operative movement it is essential that the official element remains in the background, always ready to help but never anxious to keep societies in leading strings.

The chapter on the financial aspect of the agricultural co-operative movement is interesting because the author is not inclined to adopt the panicky frame of mind. He is not unduly disturbed by the slow recoveries and he is confident that the debts are all well-secured. He is conscious that the peculiar situation of the agriculturist who is hit hard by low prices and bad seasons should be understood. His plea that it should be the endeavour of co-operative societies to stand by the agriculturist in such critical times should be appreciated by all who are interested in agriculture. His reference to the role of Land Mortgage Banks in this connection is appropriate and anything that is attempted to help the ryot to clear off his prior debts will be welcomed by him.

The spirit which has animated the author in writing this book is the uplift of the poor and he rightly calls our attention to the moral aims of true co-operation. We should congratulate the author on the successful efforts he has made to emphasise the importance of the co-operative movement. We would have been glad to know something about the extent to which non-officials have been co-operating in Sind. Further, a few more details about some of the new organisations such as Better Living societies and new Agricultural Credit societies will be appreciated.

M. S. SABHESAN.



## Extracts.

### I

## DECLARATION OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE

### ON THE SIGNIFICANCE OF CO-OPERATIVE ECONOMY.

*The International Co-operative Alliance*, in the midst of an era of world-wide economic depression and abundant evidences of political and constitutional ferment, the outcome of which cannot yet be foreseen, deems it necessary and desirable that the principles and practices upon which the Co-operative Movement is founded and is built up should be re-stated and reaffirmed in a declaration addressed to the People, no less than to the Government, of every land.

*The International Co-operative Alliance* is a union of the national co-operative movements of 40 States, comprising the unions or federations of consumers' societies, agricultural and industrial producers' societies, agricultural credit societies, and co-operative banks. So large is its representation of the population that it is the greatest organisation of consumers in the world, and the only one which stands between the interests of the community as consumers and the exploitation of capitalist profit-making enterprise. Over 100,000,000 individuals, mainly heads of families, are enrolled in its ranks.

In the continents of Asia, Africa, South America, and Australia, considerable progress has been made in the creation of similar movements to those that form the membership of the International Co-operative Alliance. There exists in these embryonic movements in other continents a huge potential membership which—with the return of the world to something like stable economic conditions, and the establishment of collective security—should be easily recruited to our International Co-operative Family.

It is with its mind centred upon the great possibilities of benefit to the human race which the mobilisation of this vast peace army can produce, when organised upon the basic principle of 'Each for all and all for each,' that the International Co-operative Alliance proclaims to the world, and especially to those who are at present outside its ranks, *the principles upon which the co-operative movement is founded; the possibilities of its peculiar economic basis; and the right which the co-operative movement has to, at least, an equal place with any other form of economic enterprise within the polity of any and every State.*

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The essential principles of the co-operative movement are:—

- I. *Open and voluntary membership*, which provides that the membership of a society shall be open to all without

'limitation of colour, race, or creed,' and that the right of every citizen shall be freedom to remain outside or to enter the ranks of its adherents according to the dictates of his own free will.

II. *Democratic control*, which provides for the complete autonomy of the societies in relation to the national economic life and freedom of development, which is only limited by State or legislative provisions which are common to, and in the interests of, the whole community. The basic element of democratic government—'One man one vote'—is the foundation of the co-operative constitution and is exercised without discrimination of sex.

III. *Dividend on purchase*, which is the method by which the profit-making motive in commerce and industry, and, indeed, profit itself, is eliminated, and when generalised into 'Distribution of the surplus resulting from the transactions of the society with its members' it becomes not merely the basis of co-operative economy but the practice which distinguishes it from the existing competitive system of capitalist economy.

In these three principles lies the whole philosophy of the co-operative movement which has grown out of the pioneer efforts of working men and women in half a dozen countries crystallising around the plans of the Rochdale Weavers of 1844 into a new system of economy. The further principle of *a strictly limited interest on capital* is a corollary to the elimination of individual profit-making through the method of dividing the surplus in proportion to the contribution of the members to its production, and an attempt to establish a 'just price' for the sale of the necessities of life, and the limitation of the profits of capital.

The Initial aim of the Pioneers to establish their economic freedom and their social independence compelled their further provision that the co-operative society should observe *Political and Religious neutrality* towards all applicants for membership, and in the discussions and transactions of the Society—a provision which, so far from eliminating thought and action in these vital matters, preserves the independence of the individual and of the collectivity, while broadening its appeal whenever it is used in the legitimate interests of the economic organism.

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It is on this basis that the National co-operative movements affiliated to the International Co-operative Alliance, supported in principle by huge organisations of co-operative enterprise not yet affiliated and embryonic movements in a number of countries, have built up 'States within the States,' and a league of the peoples which demonstrates in its practice the efficacy of a new economic order, capable of replacing the

existing capitalist or individual profit-making system; of restoring the world to an equilibrium in economic matters which can be maintained by its principles of association; and when applied universally, of furnishing the surest guarantee for *World Peace*.

An examination of the co-operative principles already stated, but especially of their practical application, manifests that *Co-operative economy* differs from *Capitalist economy* in that :—

- I. It substitutes the service of the community for the profit of the individual; establishes a genuine interdependence between its members throughout the world and a means, through international association, of achieving equilibrium in the economic sphere between the needs of the people and world resources.
- II. It dethrones capital from the dictatorship of economic life and puts in its place the *Association of Mankind* on the basis of mutual and active participation in the enterprise.
- III. It provides in its economic device of 'Dividend on purchase' an immediate financial benefit, and an access of independence to the wage-earning consumer.
- IV. It secures to the agricultural producer, among other benefits, relief from exploitation in the purchase of the machinery and materials of his industry, and also markets for his produce which yield him a reasonable return without exploiting the consumer.
- V. It confers direct benefits upon a very large section of the community irrespective of their social condition.
- VI. It provides a solution of the problems of employment, wages, and general conditions of labour on the highest plane of advantage to the employees which economic conditions permit.

New forms of Government and new orientations of economy are the subjects of experiment in many lands to such an extent that the social order generally may be said to be in a state of ferment. This fermentation has varying manifestations, all of which, however, tend to regard the development of our co-operative economic system with disfavour, and, moreover, at the bidding of organised capitalist enterprise, to put stumbling blocks in the way of its advance—in some cases, definitely to plan the suppression of free, voluntary and independent co-operation.

In resisting these tendencies the International Co-operative Alliance desires to draw the attention of the community and of Governments, and all lovers of fair play, to the manifest unfairness and injustice of the attitude of organised private capitalist enterprise towards the co-operative movement. These capitalist forces obviously take their stand on

## EXTRACTS

the monstrous conception of economic life that accords to private trade a 'vested interest' in the exploitation of the needs of the whole population. Co-operators seek, by association and mutuality, to equalise the burdens, responsibilities and rewards of economic enterprise over the whole body of the citizens, and to establish the free democracy of non-profit-making associates, which is the only genuine form of new society.

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*The International Co-operative Alliance claims for the World co-operative movement the recognition of the place which its forty constituent states have achieved for themselves in the realm of co-operation in the creation of a league of the peoples as broadly based as humanity itself.*

*It demands for the National co-operative movement—(i) Complete freedom to develop on equal terms with every other economic enterprise which is permitted by the laws of the respective States. (ii) Legal protection by all the forces of the State in the exercise of their inalienable rights as citizens. (iii) A special place, appropriate to their distinctive economic characteristics and where they will have reasonable opportunity of self-determination, within the framework of any system of State or planned economy that may be set up.*

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The International Co-operative Alliance, in launching this declaration before the world, is convinced that the general body of the people who are not yet Co-operators will recognise the idealism and the economic justice which are inherent in its principles, and also the reasonableness of its demands for the free and independent development of the co-operative system throughout the world, not only for the immediate benefits that it confers upon such a large majority of the human race but also in order that its efficacy as a new and better system of world economy may be given full opportunity to prove itself.

*The International Co-operative Alliance calls upon all its affiliated members and the National co-operative organisation in every land to pursue with energy the extension and strengthening of their respective movements; to Concentrate upon the great task of building up their societies on the genuine principles of co-operation; and to use all their powers to secure from the state and all public authorities the full recognition of the claims set out in this declaration of the significance of co-operative economy.*

## II

GERMANY—POSITION OF THE CO-OPERATIVE  
MOVEMENT AT THE BEGINNING OF 1936.

As in previous years, the following information about the German co-operative movement is from a report by Mr. Otto Ipscher. The main groups to which the societies belong are shown in the following table :

Type of Society.	Number at 1st Jan. 1935.	Changes in 1935.		Number at 1st Jan. 1936.
		Societies founded.	Societies dis- solved.	
Credit societies (town & country)...	20,866	78	392 (2)	20,552
Handicraftsmen's societies (raw materials, storage, service and sale) ...	1,751	212	73 (2)	1,890
Industrial producing societies ...	554	...	4 (1)	550
Workers' productive and labour societies ...	147	...	3 (-)	144
Dealers' purchasing societies ...	1,315	24	55 (1)	1,284
Consumers' societies ...	1,634	22	74 (2)	1,582
Housing societies ...	3,598	19	110 (3)	3,507
Agricultural societies (without loan funds) ...	22,001	1,808	881 (8)	22,429

This table does not cover the group known as 'sundry' co-operative societies, which number less than 1,500 in all. Thus, the grand total of German co-operative societies of every type from 1st January 1936 was 53,499 (as against 53,631 in 1935).

The fall in the number of co-operative societies is explained partly by the Act of 9th October 1934, which declared void certain societies which till then existed only on paper, and by the Act of 31st December 1935, which prohibited the formation of saving funds with special objects, and partly also by the amalgamations which took place among some of the co-operative societies.

As in the previous year, the *credit societies* dropped in number; 78 co-operative societies were newly formed, but 390 were dissolved, of

which 107 were urban credit and 283 rural credit societies. Among those which were dissolved were a number of saving funds with special objects, purchasing power savings funds, and building societies. The number of *handi-craftsmen's societies* increased by 139 during the year, most of the newly founded ones being service and sales societies. There are now 249 co-operative societies in this category.

The *dealers' purchasing societies* also showed an increase of 31 during the year.

*Housing societies* suffered a further sharp setback in 1935, due to the fact that many new ways of building were employed. The same can be said of the *land settlement societies*.

The *distributive* (consumers') societies in the strict sense seemed to be declining in number. To utilise subsidies put at their disposal by the Government by the Act of 21st May 1935, a number of societies decided to go into liquidation before the end of the year 1935. In that year only 22 organisations were created in this category, nearly all of which were for the purchase of coal. Seventy-two consumers' societies were dissolved, and two were liquidated.

The increase in the number of agricultural co-operative societies due to the creation of a number of co-operative dairies was not as rapid as in 1934. Only 560 co-operative dairies were formed in 1935, whereas in 1934, 2,385 societies were formed, and 170 co-operative dairies were dissolved last year. On the other hand, a good number of agricultural co-operative service societies and co-operative fruit marketing societies were founded during 1935, and 1,309 agricultural co-operative societies were formed, 873 were dissolved, and 8 were bankrupt.

The 'sundry' societies that cannot be said to belong to any of the above groups declined in number. They decreased from 2,000 to 1,500. The creation of co-operative societies without a definite aim has been rendered difficult.

—(*International Co-operative Alliance*).

## News and Notes.

Srimathi Mahalakshmi Anmal of the Salem District Urban Bank is the first lady to be elected as a director of any central bank in South India.

Profits of Lever Brothers rose last year from £ 6,302,875 to the record total of £ 6,951,187. The ordinary dividend is maintained at 15 per cent.

The Maharaja of Darbangha has sanctioned a sum of five lakhs of rupees for the improvement of the villages in his estate and has ordered his officials to submit schemes for its utilization. It is to be hoped that his enlightend example will be followed by other zamindars.

The Executive Committee of the Andhra Sahakara Sammelanam met at Ellore on the 29th of April last and resolved to revive its monthly journal and to do propaganda about the Sammelanam in the Andhra Districts and to collect funds for carrying on its work. For this purpose it appointed a sub-committee.

In many of the districts the staff sanctioned by Government for the execution of decrees obtained by co-operative societies has been doubled and therefore the Registrar expects that in the current and succeeding quarters the number of applications disposed of and the amount collected will also double themselves.

The Salem City Co-operative Stores, Ltd., Salem, invites suggestions from the interested public for the formation of a Union of co-operative stores, with a view to arrange for the joint purchase of the major articles of consumption. We hope there will be a good response to the invitation.

We understand that Mr. V. Suryanarayana, Rao Pantulu, Secretary of the Kovvur Supervising Union, West Godavari, has suggested to the Registrar that in the place of the ten unions now working in the district, the formation of five unions with more than one supervisor for each union would result in greater efficiency.

The Jakkasamudram co-operative society which celebrated its Silver Jubilee in March 1936 has had a creditable regard of uniform progress. Starting in 1909 with 34 members and a deposit capital of Rs. 92, to-day it has on its rolls 215 members and a deposit capital of Rs. 12,580 from

## NEWS AND NOTES

both members and non-members. An amount of Rs. 2,563 is outstanding by it to the Salem Central Bank. Its reserve fund is Rs. 4,090. In 1934-35, it earned a net profit of Rs. 623-6.

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The 23rd half-yearly report ending 31st December 1935 of the South Indian Co-operative Consumer's Society, Ltd., Matunga, Bombay, shows another six months of steady and satisfactory progress. The sales at the branches were very encouraging and the total sales during the half-year under review were Rs. 42,770-9-3. The reserve fund stands at Rs. 3,047-9-11, the building fund at Rs. 2,287-3-2 and the net profit for the period is Rs. 1,849-14-9.

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One of the recommendations made by Mr. Sathianathan in his report, which was supported by the Board of Revenue was that as far as possible loans to agriculturists should be given in kind. Government point out that this cannot be done unless additional depots are opened or the equipment of the existing ones increased—which the Government are not at present prepared to undertake. They consider that stimulating private trade in implements, seeds, fertilizers etc., as the Agricultural Department is trying to do, is quite sufficient.

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An exhibition of village industries, conducted under the auspices of various Christian Missions working in Central and South India, is held annually at Kodaikanal, the hill station of the Missionaries. At this year's exhibition which was opened on the 14th May as many as thirty Missions were represented. The exhibits which were mainly the work of village women on village resources, ranged from metal work and textiles to eggs and fruits. It is reported to have attracted a large number of visitors and to have resulted in good sales.

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We have received a communication from the Registrar of Co-operative Societies, Madras, recommending the purchase by co-operators and co-operative institutions of the 1936 annual, published by the Government Brennen College Co-operative Union, Tellicherry. We have already brought it to the notice of the public in an editorial note in the March issue of this Journal. It is a very informing and useful publication, priced only eight annas.

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The Government of Mysore have recently sanctioned a scheme for the intensive development of selected villages throughout the state. The development of these villages has been made a special responsibility of the deputy commissioners, subject to instructions from the revenue commissioner and advice from the heads of the development departments concerned. In each revenue sub-division 8 or 10 villages are to be selected where the panchayats are working satisfactorily and where they have



enough income to carry out the programme. The items attempted will be the raising of the standard of the village panchayat administration, the provision of good drinking water and of drainage, weekly tidying of the village, increasing attendance in schools, adult education, maternity and child welfare, provision of grazing grounds, supply of credit and good seeds, marketing of commercial crops etc. The progress of this work will undoubtedly be watched by the public with the utmost interest.

Leave was granted recently to Mr. V. N. Patil by the Bombay Legislative Council to introduce a bill to establish Debt Conciliation Boards. The following is its statement of objects and reasons:—

The object of the Bill is to relieve the Agriculturists of some of the burden of the debt which unfortunately bears very heavily upon them at present. There are three possible ways in which debt conciliation can be effected. The first is the voluntary method, the second is the compulsory method and the third which is embodied in this Bill is the method of compromise. The first method is not possible. The second method if adopted will meet with various objections, the main objection being that it will shake the foundation of credit. The third method is therefore the only method which can be usefully adopted. The basis of the Bill is voluntary settlement. The Board which is to be nominated by Government has no power to give an award. It is charged with the duty of endeavouring to bring about a fair and reasonable agreement between the debtor and his creditors. While it is made incumbent on all creditors to appear and make a true statement of their claims and produce all the documents in support thereof on pain of losing all their rights against the debtor, they are not compelled to agree to composition. There is however an inducement to the acceptance of a fair offer in that the claims of those that agree have priority of execution except over secured creditors. This provision is also calculated to discourage future borrowings. There are also provisions to discourage intransigence which deprive others who refuse a fair and reasonable offer in subsequent civil court proceedings of costs as well as of interest on debts exceeding 6 per cent from the date of the certificate issued by the Board.

A summary procedure has been provided for the recovery of amounts under agreement as arrears of land revenue in the event of default by the debtor. Either a qualified debtor or a creditor can apply but the board can for sufficient reasons dismiss the application. This will enable it to refuse its help to those who are not *bona fide* agriculturists or whose application for relief is not a genuine one. No appeal or revision is allowed, but the Board can review its order. Parties are allowed to appear by agents authorised in writing but not by legal practitioners.

# LIST OF SOCIETIES REGISTERED AND CANCELLED

## List of Societies Registered in April 1936.

Serial No.	Name of the Society.	Date Registered.	District.
	Vallipuram Agricultural Improvement Co-op. Society, Ltd.		Chingleput.
	The Guntur District Non-Official Co-op. Subordinates' Co-op. Society, Ltd., Tenali P. O.	27-4-36	Guntur.
3	Swadapuram Co-op. Society, Swadapuram.	15-4-36	Salem.
4	Panja Seeme Harik Brahmins Co-op. Better Living Society, Bellare P. O., Puttur Taluk.		S. Kanara.
5	Villipuram Co-op. Land Mortgage Bank, Ltd.		S. Arcot.
6	South Arcot District Sugar-cane Growers Agricultural Demonstration and Research Co-op. Society.		"
7	The Koorainadu Weaver's Co-op. Society, Ltd.		Tanjore.
8	Thulukampatti Co-op. Credit Society.	25-4-36	Trichy.
9	Mettur Co-op. Credit Society ...	28-4-36	"
10	Pambaransuthi Sri Lakshmi Co-op. Credit Society.	30-4-36	"
11	The Polur Board High School Employee's Co-op. Society.	22-4-36	N. Arcot.
12	Chetpat R. C. Christians Employee's Co-op. Society.	28-4-36	"
13	Dimili Co-op. Agricultural Demonstration Society, Ltd.	18-4-36	Vizagapatam

## List of Societies Cancelled in April 1936.

Serial No.	Name of the Society.	Date Cancelled.	District.
1	Chodavaram Co-op. Society ...	7-4-36	W. Godavari
2	Mandagoppadi Co-op. Society ...	7-4-36	S. Arcot.
3	Eurooipatnam Co-op. Society ...	7-4-36	"
4	Kanai Co-op. Society ...	15-4-36	"
5	Kudligi Sree Kotha Ladaya Swami Co-op. Society.	15-4-36	Bellary.
6	Mallinayanapalli Co-op. Society ...	15-4-36	Salem.
7	Marupetti Adi Dravida Co-op. Society.	30-4-36	"
8	The Palghat Municipal Middle School Student's Stores.	9-4-36	Malabar.

## Books Acknowledged.

*Union of South Africa—Department of agriculture and forestry.*

Bulletin No.

- 148 South African pasture grasses together with a survey of the work on Prinshof pasture Experiment Station.
- 152 Mechanical and animal draught power on grain farms.
- 154 Fruit production in the Union.
- 155 The Rising of fat in milk in the course of delivery.
- 156 Seasonal variations in the freezing point of South African milk.
- 157 Influence of period of lactation on the freezing point of South African milk.

*University of Missouri—Agricultural experiment station.*

- 227 Some economic aspects of the farm poultry enterprise.
- 228 Growth and development.
- 229 Factors affecting farm land values in Missouri.
- 230 Hypophysectomy of the Goat.
- 231 A Study of factors influenizing chromosomal segregation in translocations of *Drosophila Melanogaster*.
- 232 Relation of the degree of base saturation of a Collodial Clay by Calcium to the growth, nodulation and composition of Soybeans.
- 358 Work of the Agricultural experiment station.
- 359 Growing good crops of oats in Missouri.
- 360 Korean Lespedeza in rotations of crops and pastures.

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